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ABSTRACT

These proceedings consist of 25 conference papers on consumer interests: (1) Consumer Leaders of Yesteryear, (2) Potentials for Professionalism in Consumer Affairs, (3) Legislative Priorities--The Washington Scene, (4) Consumer Protection--The Municipal Approach, (5) Virginia Approach to Consumer Protection, (6) An Explanation of Electric Utility Finance and Its Effects on the Residential User, (7) Systems Approach to Family Money Management Counseling, (8) Consumer Education: The Unknown Limits, (9) An Experimental Investigation of the Consumer Use of Explicit Product Information, (10) Cost Benefit Analysis of Consumer Product Safety Programs, (11) Consumer Participation in Health Planning: A Selective Review, (12) An Investigation of Objective Relationships Between Product Price and Product Quality, (13) Ethics: A Cost Benefit Analysis, (14) An Evaluation of the Illinois Consumer Education Program and Student Learning, (15) Advertisers' Substantiation of Claims to the Public, (16) What University Advertising Programs are Doing in Consumer Education, (17) Low Income Chicano's Family Purchasing, Credit and Consumption Behavior--An Exploratory Study, 1970-75, (18) Communitywide Discount Programs for the Elderly: Problems and Prospects, (19) A Bill of Rights for Consumers, (20) Careers in Consumer Affairs, (21) Educational Opportunities in the Consumer Field, (22) Electric Utility Advertising and the Consumer Interest, (23) The Development of a Competency Based Consumer Credit Counseling Certification Program, (24) The Local Consumer Information System: An Institution-To-Be?, and (25) Financial Management Practices of Nebraska Bankrupts. (EM)

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AMERICAN COUNCIL ON CONSUMER INTERESTS

22nd Annual Conference

April 7-10, 1976

Atlanta, Georgia

THE PROCEEDINGS

Convention Theme: Ideas/Commitment/Action

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PROGRAM

AMERICAN COUNCIL ON CONSUMER INTERESTS
22nd Annual Conference
April 7-10, 1976
Atlanta, Georgia

Convention Theme: Ideas/Commitment/Action

WEDNESDAY, APRIL 7, 1976

Evening

REGISTRATION OPENS

Presiding: Dr. Edward J. Metzen, President, American Council on Con-
Consumer Interests, University of Missouri-Columbia
Speaker: Dr. Lee Richardson, President, Consumer Federation of America, Louisiana State University, "Some Indicators of Career Opportunities"
Seminar: "National Consumer Affairs Internship Program"
Panelists: Dr. Edward J. Metzen, President, American Council on Consumer Interests, University of Missouri-Columbia
Dr. Currin V. Shields, Chairman, Conference of Consumer Organizations, University of Arizona
Robert Weagley, Graduate Student, University of Missouri-Columbia

REGISTRATION CLOSES

THURSDAY, APRIL 8, 1976

Morning:

REGISTRATION OPENS
EXHIBITS OPEN
CONTINENTAL BREAKFAST

FIRST GENERAL SESSION

Presiding: Marjorie M. Merchant, Vice-President, American Council on Consumer Interests, University of Massachusetts
Welcome: Nancy S. Chandler, ACCI Local Arrangements Chairman, University of Georgia
Welcome: Dr. Edward J. Metzen, President, American Council on Consumer Interests, University of Missouri-Columbia
Greetings: Keynote Speaker
Dr. Colston E. Warne, President, Consumers Union, "Consumer Leaders of Yesteryear"

BREAK

SECOND GENERAL SESSION

Presiding: Faith Prior, University of Vermont

Speaker: Satenig S. St. Marie, Division Vice-President and Director of Consumer Affairs, J. C. Penney Company, Inc., "Potentials for Professionalism in Consumer Affairs"

Afternoon:

LUNCHEON

Presiding: Dr. Stewart Lee, Geneva College
Speaker: Carol Tucker Foreman, Executive Director, Consumer Federation of America, "Legislative Priorities—The Washington Scene"

CONCURRENT SESSIONS

I. "The Forces that Shape Quality Educational Programs"

Presiding: Brenda Roberts, Oklahoma State University
Speakers: Dr. William L. Johnston, Director, Center for Consumer Education Service, New Jersey
Marilyn Metcalf, Supervisor, Consumer Education, Illinois Department of Public Instruction

II. "Consumer Protection: A Municipal and State Approach"

Presiding: Dr. E. Thomas Garman, Immediate Past President, American Council on Consumer Interests, Virginia Polytechnic Institute and State University
Speakers: Charles H. Vincent, Director, Department of Consumer Affairs, City of Dallas
Mary Ann Shurtz, Coordinator, Office of Consumer Affairs, Virginia Department of Agriculture and Commerce

III. "Professional Preparation, Programs and Careers in Consumer Affairs"

Presiding: Joyce E. Bryant, Money Management Institute of Household Finance
Speakers: Dr. Lillian H. Mohr, Office of Consumer Affairs, Department of Health, Education and Welfare, Washington
Dr. John R. Burton, Family and Consumer Studies, University of Utah

IV. "Invited Research Papers"

Presiding: Sally Jo Hatfield, Texas Woman's University
Speakers: Dr. Steven Mintz, Senior Economist for Internal Policy, Federal Energy Administration, Washingon, "An Explanation of Electric Utility Finance and Its Effects on the Residential Consumer"
Dr. Roger Gates, Department of Business Administration University of Texas at Arlington, Arlington, Texas, "Electric Utility Advertising and the Consumer Interest"

V. "Invited Research Papers"

Presiding: William R. Fasse, Family Economics, University of Arizona

Speaking: Dr. Ruth D. Harris, Program Chairman, Home Economics, Education, Virginia Polytechnic Institute and State University, Blacksburg, Virginia, "The Development of a Competency Based Consumer Credit Counseling Certification Program"
Dr. Charlotte V. Churaman, College of Human Ecology, University of Maryland, College Park, Maryland, "Family Money Management Counseling: A Systems Approach"

SOCIALIZING, SIGHTSEEING, SHOPPING

FRIDAY, APRIL 9, 1976

Morning

CONTINENTAL BREAKFAST

THIRD GENERAL SESSION

Presiding: Dr. Kyle Jane Coulter, Chairman, Department of Family Economics, Texas Tech University

Speakers: Dr. Herb Jelley, Oklahoma State University, Editor, Consumer Education Forum, "Consumer Education—The Unknown Limits"
Dustin Wilson, Acting Director, Office of Consumer Education, Washington, "The Implications of Federal Involvement in Consumer Education, and the Responsibilities of Others in the Field"

BREAK

CONCURRENT SESSIONS

I. "The Forces that Shape Quality Educational Programs"

Presiding: Terry J. Finlayson, Director, Consumer Information Services, Sears

Speakers: Dr. William L. Johnston, Director, Center for Consumer Education Services, New Jersey
Marilyn Metcalf, Supervisor, Consumer Education, Illinois Department of Public Instruction

II. "Consumer Protection—The Municipal Approach—The State Approach"

Presiding: Gaye W. Lee, Office of Consumer Affairs, Department of Health, Education and Welfare, Washington

Speakers: Charles H. Vincent, Director, Department of Consumer Affairs, City of Dallas
Mary Ann Shurtz, Coordinator, Office of Consumer Affairs, Virginia Department of Agriculture and Commerce

III. "Invited Research Papers"

Presiding: Dr. Gordon E. Bivens, University of Missouri-Columbia, Missouri

Speakers: Dr. E. Scott Maynes, New York State College of Human Ecology, Cornell University, Ithaca, New York, "The Local Consumer Information System: An Institution-To-Be?"
Dr. Bruce Seaton, School of Business and Organizational Sciences, Florida International University, Miami, Florida "An Experimental Investigation of the Consumer Use of Explicit Product Information"

IV. "Invited Research Papers"

Presiding: Robert Hermann, Penn State University
Speakers: Dr. Rachel Dardis, College of Human Ecology, University of Maryland, College Park, Maryland, "Cost Benefit Analysis of Consumer Product Safety Programs"
Dr. Kathleen Browne Ittig, National Center for Health Servides Research, Department of Health, Education and Welfare, Rockville, Maryland, "Consumer Participation in Health Planning: A Review"

V. "Invited Research Papers"

Presiding: Richard S. Webster, Florida International University
Speakers: Dr. Monroe Friedman, Director, Contemporary Issues Center, Eastern Michigan University, Ypsilanti, Michigan, "Lowering the Costs of Food Purchases through Consumer Utilization of Informational Aids in Supermarkets: Problems, Prospects and Proposals"
Dr. George B. Sproles, School of Home Economics, Purdue University, West Lafayette, Indiana, "An Investigation of Objective Relations Between Product Price and Product Quality"

Afternoon:

LUNCHEON

Presiding: Dr. Thomas M. Brooks, Southern Illinois University
Speaker: The Reverend Carlton O. Eaton, Covenant Presbyterian Church, Austin, Texas, "Ethics: A Cost-Benefit Analysis"

CONCURRENT SESSIONS

I. "Consumer Education: State of the Art"
Presiding: Sandra L. Willett, on leave from the Office of Consumer Affairs, Washington, to the Kennedy School of Government, Harvard University
Speakers: Dr. Lee Richardson, President, Consumer Federation of America. Louisiana State University
Dr. Thomas O. Stanley, Business & Economics, Missouri Southern State College, Joplin Missouri

II. "Invited Research Papers"
Presiding: Louise Young, University of Wisconsin

Speakers: Dr. Arch G. Woodside, Program Director of Marketing, University of South Carolina, Columbia, South Carolina, "Advertisers' Substantiation of Claims to the Public"
Dr. Ivan L. Preston, School of Family Resources and Consumer Sciences, University of Wisconsin, Madison, Wisconsin "What University Advertising Programs are Doing in Consumer Education"

III. "Invited Research Papers"

Presiding: Elsie Fetterman, University of Connecticut
Speakers: Dr. Glen H. Mitchell, Virginia Extension Service, Virginia Polytechnic Institute and State University, Blacksburg, Virginia, "An Exploratory Study of Low Income Spanish-American Families in Dona Ana County, New Mexico: Their Marketing and Credit Practices"
Dr. Robert L. Schneider, School of Social Work; and Dr. Peter L. Gillett, School of Business, Virginia Commonwealth University, Richmond, Virginia, "Communitywide Discount Program for the Elderly: Problems and Prospects"

COFFEE BREAK

ACCI RESEARCH AWARDS PROGRAM

Presiding: Dr. Loren V. Geistfeld, Purdue University
Speakers: ACCI Research Award Recipients (To be announced at this time)

ACCI BUSINESS METTING

Evening:

SOCIAL HALF-HOUR

ACCI BANQUET

Toastmaster: Dr. Edward J. Metzen, President, American Council on Consumer Interests, University of Missouri-Columbia

COLSTON E. WARNE LECTURE

The Honorable Jerry Voorhis, Former United States Congressman

FOOTLIGHTS AND FANFARE

A Bicentennial Show saluting the two-hundred year history of America's greatest natural resource: Entertainment! Performed by an outstanding group of young Americans who appeared recently at the Kennedy Center for the Performing Arts in Washington

SATURDAY, APRIL 10, 1976

CONTINENTAL BREAKFAST

FOURTH GENERAL SESSION

Presiding: Louis J. DeSalvo, Lyons Township High School, LaGrange, Illinois

Speaker: Robert Leonard, Prosecuting Attorney, Flint, Michigan, "A Bill of Rights for Consumers"

WRAPUP "THE CHALLENGE OF IDEAS/COMMITMENT/ACTION"

Presiding: Brenda Roberts, Oklahoma State University

Panelists: Dr. Gordon Bivens, University of Missouri-Columbia; Dr. Jean Bowers, Ohio State University; Dr. E. Carl Hall, University of Texas; Marjorie M. Merchant, University of Massachusetts

* * *

1976 CONFERENCE COMMITTEE

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Lillian Holmen Mohr, Florida State University

FROM THE EDITOR—

The future promises fulfillment to those who accept the Challenge of Ideas/Commitment/Action—the 1976 conference theme. Consumer Affairs is coming into its own as a profession, and we justifiably feel proud to be associated with it.

While working on contract with the Office of Consumer Affairs in Washington, D.C., from August 1975 to September 1976, I was constantly reminded of the high regard with which the American Council on Consumer Interests is held by significant people in federal government. It reinforced my appreciation for affiliation with ACCI, its founders and the many who have served ACCI and its goals over the years.

About the Proceedings, to reduce a paper from 35 pages in some cases to a manageable 10 to 15 pages requires drastic editing. The process may result in inadvertent errors and omission of salient points. Apologies for these, and for the absence of a few presentations that speakers could not find time to commit to paper.

My sincere appreciation to Carl Hall as program Chairman of the 1976 conference, to Dr. Joseph N. Uhl, editor of The Journal of Consumer Affairs, and to Kristine Powell and Kay Stratton for editorial corrections and typing.

LILLIAN HOLMEN MOHR
Florida State University

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CONSUMER LEADERS OF YESTERYEAR

Colston E. Warne, President
Consumers Union of U.S.

I.

Many individuals have contributed to the building of a powerful independent consumer movement in the United States. One immediately thinks of Ben Andrews, Harriet Howe and the other pioneers of the American Home Economics Association; Florence Kelly and the efforts of the National Consumers League launched in 1899 to eliminate sweat shops; Upton Sinclair, Dr. Harvey Wiley and the Muckrakers' struggle concerning food and drugs; Henry Harap's crusade for consumer education in the early '20s; Leland J. Gordon's Weights and Measures Research Center, Persia Campbell's quest for consumer representation in government. My task is to pay tribute to a number of other less well recognized individuals who laid the ideological groundwork for today's consumer movement.

My first candidate for the consumer hall of fame is Thorstein Veblen, a cynical, ornery Minnesotan who didn't even bother to accept the presidency of the American Economic Association when it was proffered. He laid a new groundwork for economics.

This genius had no desire to communicate save by the printed word. Kicked from pillar to post in the academic world because of his eccentric economic ideas and unacceptable sex habits, at the end of his career in the '20s, he landed at the New School for Social Research in New York where he would mumble a few words for the edification of dowagers attracted by curiosity.

What, then, did Veblen contribute? His seminal ideas included the bankruptcy of the theory of marginal utility and the negation of the belief in the ability of the consumer to maximize his satisfactions in a free market place. Writing at the turn of the century, Veblen treated economics as a branch of anthropology. In Veblenian terms, the possession of goods becomes the basis for reputability. Emulation is the motive. The accumulation of property replaces the quest for trophies of the chase—of predatory exploits.

Women initially entered the Veblenian picture as trophies who might add to the esteem of their masters by their conspicuous consumption in dress and in demeanor. Ceremonial consumption becomes in substantial measure the basis for the demonstration of pecuniary strengh and hence repute. Wastefulness adds to reputability. The code of reputability in matters of dress dictates what shapes, colors, materials

and general effects are components of changing fashion codes. Beauty is not objectively measured but is the result of expensiveness.

The essence of the dress code, Veblen felt, was not alone that the garb must be costly; it must convey the impression of abstention from productive employment (thus the high heels, expensive and encumbering skirts, hair styling, corsets—all combined as evidence that one is rendered permanently and obviously unfit for physical work). The more rapid the shift in styles, the more offensive they become to sound taste.

In sum, the office of Veblenian woman was to consume vicariously ously for her "master"—head of the household. Propriety requires the successful woman to make a demonstrable show of her leisure class origin.

To Veblen, we are living in a primitive society, featured by ostentatious waste and conspicuous consumption, a world in which goods are purchased for ego satisfaction, costliness equals the virtuous and valuable, commodities are planned to be obsolete, and individuals play a role in displaying their affluence.

Consumers are conditioned to serve as vehicles for the sale of commodities. Women afford a demonstration of the pecuniary prowess of their mates.

The function of business is then the creation of salable products, not useful products. The costly is deemed the good.

The engineer is the captive of the businessman, confronted not with the task of producing workmanlike, durable and functional goods but rather to create artificial differentiation and through deceptive advertising the market is extended.

The driving force or our enterprise system is to take products out of competition, to place restraints on trade, to erect blockades which interfere with the successful functioning of the economy to render service to the consumer. Business seeks to escape standardization and the mandate of efficiency.

One does not have to accept all of Thorstein Veblen to appreciate the insights contained in his Theory of Business Enterprise, Theory of the Leisure Class or Engineers and the Price System. He reminds us once again that economics is but a branch of anthropology.

His perspectives on the role of the consumer have given us a better comprehension of the nature of consumer choice.

II.

The second great consumer innovator on my list is that largely forgotten author of Looking Backward, a journalist and former editor of a Springfield, Massachusetts, newspaper, Edward Bellamy. Bellamy was a Victorian utopian whose novel describes the reappearance in the year 2000 of a Bostonian after an overlong sleep which started in the year 1887. In this interval, machine technology and large scale enterprise had triumphed. Money had disappeared, giving way to a point system of income distribution. A tidy, rational society had emerged, bringing out the best of an advancing technology. Life in 2000 was split in three periods—one for education, one in the labor army, and one for cultural consumption. All retail stores had disappeared. Efficient factories were synchronized to create a veritable consumer paradise.

In the absence of any pressure selling or advertising, one went to a sample room, a great exhibit hall, to choose merchandise. If one wished scientific advice, he or she would push a button and an expert would appear to describe accurately the product attributes. The cost of the merchandise calculated in points was subtracted from one's drawing rights. Delivery was through the use of fire stations. As one grew older, one went from the educational contingent into the work army, then into cultural consumption. Planning, functional engineering and rational consumption were the keynotes of the new society.

The cultural flowering of Boston was the essence of the Bellamy message.

I see today little evidence that Boston with its eroding central city will attain the Bellamy goal by the year 2000. I do, however, see in Bellamy a warning against the proliferation of retail enterprises—large and small—of giant, wasteful shopping centers with massive acres of asphalt, kiddy corrals and soothing Muzak. Somehow in our era we seem embarked on a contest to maximize inefficiencies in product distribution as we build giant, subsidized merchandise marts in the central city and at the same time clutter the landscape with massive cinder block malls at every major intersection. The result is monstrous inefficiency.

Today the American consumer spends his day pushing shopping carts in an ever more wasteful exercise while retailers pyramid sales costs. Business becomes diffused among a host of competitors. Consumer satisfaction declines.

Still off in the dreamy wild blue yonder is the Bellamy solution of completely automated enterprise, producing standardized and functional products where one could push a button—perhaps at home—and encounter the miracle of delivery and of computerized bookkeeping. With all its utopian aspects, the dream of Bellamy still lives with his accent on the dominance of consumer values and the potentiality, some day, of making the distributive process efficient and rendering it the true servant of

the consumer rather than his master. Perhaps the time has come for a revival of Bellamy. The prophet has, however, another quarter century to deliver his utopia.

III.

The third forgotten innovator on my list is Dr. James Peter Warbasse, a Brooklyn physician and long-time President of the Cooperative League of the U.S.A.

He portrayed consumers' cooperation as the most radical social reform movement—as constituting a remedy for such worldly problems as crime, war, business cycles, poverty, human exploitation and unemployment. This movement inaugurated by the Rochdale Pioneers in 1844 would, by eliminating the profit motive, eradicate deception and would transfer sovereignty in our economy to the buyer, who had in his own hands the cure for our malaise. Let the consumer own the system, and he will not exploit himself—nor will he exploit others.

Consumers' cooperation in Warbasse's eyes became more than a grocery store movement. Organized to channel buying power on a voluntary basis to the fields consumers desire it can create a new motivation of service to the consumer. Its perimeters extend to housing, credit (credit unions), to insurance, to recreation, to medicine, to education—from pre-school education to funerals.

In moments of enthusiasm, Dr. Warbasse would voice a true doctrine of philosophical anarchism—the jails would be emptied as occupants received suitable therapy. Unemployment would be completely impossible under the cooperative commonwealth which could not have aggregate overproduction. Moreover, the wage problem was solved. If all people worked for the coop, it wouldn't matter whether wages were high or low. The Rochdale purchase rebate would give surpluses back to consumers. Capital got only a fixed rate of interest. Each person had one vote.

University of Chicago's Paul H. Douglas encouraged me to write my doctoral thesis on consumer cooperatives. He introduced me to Dr. Warbasse who strongly urged that I see the European movement with its banks, wholesalers and factories. European cooperators were hospitable in 1924. They didn't, however, have as many answers as did the good Doctor. I asked the British coops why they carried fake blood purifiers; they answered because the members want them.

Still, the Coop movement has an importance and a world influence seldom appreciated by Americans. As a significant force in the world consumer movement, it fosters a vigorous educational influence in many communities. Innovative marketing has characterized many of our co-ops. The Co-op store has often become a price yardstick. Among the newly-emancipated youth of our current generation, cooperatives have become a new discovery operating through work stints and discount

practices which would anguish any Rochdaler. Yet such enterprises carry a message—innovation does sometimes work with refreshing success.

A final anecdote concerning Dr. Warbasse. In 1933, he was co-opted by Franklin and Eleanor Roosevelt to lend his blessing to the National Recovery Administration which, overnight, set aside our anti-trust laws in favor of new codes of fair competition, generated by trade associations in each field and administered by the indefatigable General Hugh Johnson who maintained day and night office hours in the effort to get America "running again." A Consumer Advisory Committee had been convened by Mary Harriman Rumsey (sister of Averill Harriman) to voice from the White House a consumer reaction toward these codes of "fair competition."

My invitation came through Dr. Warbasse. I suggested that the Consumer Advisory Committee resign and go home; setting aside anti-trust laws and boosting prices sacrificed the consumer interest to the quest for profits.

Mrs. Rumsey insisted that I see General Johnson.

I insisted on taking a consumer committee with me. She agreed, so we entered General Johnson's office at 3 A.M.

He pounded the desk for emphasis as he refuted our criticism of NRA. Leon Henderson stepped up and pounded Johnson's desk with equal emphasis. Johnson broke off, pointing his finger at Henderson saying, "Young man, I want you here at my side." Henderson quit his job at the Russell Sage Foundation and joined the ranks at NRA.

Fortunately, the Supreme Court ended the Blue Eagle in 1935 after consumer advisors had fought a long, losing battle against producer-dominated price controls in agriculture and industry. It was, however, a beginning for recognition of the consumer interest.

IV.

The fourth name on my roster is Frederick J. Schlink, the founder of the world's first consumer testing organization, Consumers Research, in 1928 and co-author of Chase and Schlink's Your Money's Worth and of Schlink and Kallet's 100 Million Guinea Pigs.

The American Standards Association, with which F. J. Schlink was initially associated, was an engineering group. A product of World War I, the handiwork of Herbert Hoover and of the Hoover Commission of the Federated American Engineering Societies on Waste in Industry, it was a response to the stupidity of producing a dozen diameters of sewer pipe, a hundred styles of brick, and ill-defined grades of products on the market. Initially, it meant purchasing agents of corporations and of government could know what they were buying by exact specification—a means of expediting transactions.

The accident of teamwork between Stuart Chase and F. J. Schlink made the American standards movement an effective vehicle for consumer organization. Chase and Schlink were saying that if business could buy steel rails and cement by specification instead of by advertisements featuring alluring blondes, why couldn't consumers buy by test rather than by the paid testimonials of artists in persuasion?

The impact of Chase and Schlink's book was enormous. It promised for $1 a Consumer's Club copy of recommended and not-recommended brands. The deluge of requests vaulted Schlink from the role of a dreamer to one managing a new corporation, Consumers' Research, founded in 1928 as a non-profit organization to assess the merits of competing brands. Schlink was off on unexplored ground, hated and feared by advertisers and the business fraternity and at the very center of the new fad of consumer testing.

Among individuals telling Schlink what to do with his new movement were the natural food faddists and rural escapists, the do-it-yourself contingent, the ardent cooperative followers, the handicraftsmen, the technocrats. There were those who wished to build a new consumer role in Washington; who wished government grading and who wished the expulsion from the market of merchandise which could not meet federal standards.

To Fred Schlink's credit, he initially resisted most of the wilder schemes and assembled an exceptionally competent and energetic staff to embark on unchartered seas from CR's New York headquarters.

The Board of Directors of his new non-profit organization reflected the deep interest of social workers, economists, sociologists and engineers in the new venture. Schlink made a most creditable start and was in great demand in explaining his objectives.

Yet, unlike Ralph Nader, our recent meteoric character, Schlink quickly lost the ardent followers who hitched themselves to his star. After five years of effectively developing an idea along sound lines, he mistakenly moved his organization to the Delaware Water Gap, the village of Washington, New Jersey. There discussion focused on a consumer party and on a consumer revolution. (Schlink distrusted the New Deal pretensions and divorced himself from the liberalism of the day.)

His Consumers' Research staff, wearied of working long hours for meager wages, listened to the new white collar unionism. A stubborn conflict ensued. Schlink fired the union organizers and sympathizers on his board and staff. He succeeded in breaking a long strike in 1935. Subsequently, he became a prisoner in his own walls, radiating a hostility toward government action, business enterprise, and academics. Consumers' Research and Fred Schlink never recovered from that strike of 40 years ago. The mainstream of the consumer movement which he had initiated fell to others who could find a better formula for harnessing technology to the service of the consumer.

Schlink, now in his mid 80s, is little known and less appreciated. Yet he did establish the pattern of independent consumer testing —an invention which harnessed the self-interest of those who wanted product ratings to provide the funds essential to build a world consumer movement.

V.

The fifth great among the consumer innovators was Arthur Kallet who died in 1971. Kallet had many of the attributes of and was a close co-worker with Fred Schlink, first as an assistant to Paul G. Agnew of the American Standards Association and later, at Schlink's invitation, as secretary of Consumers' Research as well as the co-author of 100 Million Guinea Pigs, a best seller.

Kallet, an upstate New Yorker, was a graduate of the Massachusetts Institute of Technology. He joined Schlink in accepting wholeheartedly the dedication to consumer testing as a way of life.

Kallet had, however, a number of talents which Schlink sorely lacked. First and foremost a promoter, he had a message to tell the world, a message which could be encapsulated in direct mail advertisements. Kallet too was highly motivated and persistent. He moved easily among the rebels who in the '30s were joining the Village to debate solutions for unprecedented unemployment in a declining economy.

Kallet was tough and highly energetic. The strike at Consumers' Research vaulted Kallet into leadership of an able but undisciplined contingent of strikers, a role in which he had no experience. Yet Kallet won the rather uneven contest thanks to Schlink's singular capacity for alienating those who had initially backed him. He, together with the technically trained strikers and fired Board members, started Consumers Union. Liberals overwhelmingly supported the new upstart organization, chartered in February, 1936.

Launched in the Depression, with all the odds against it, Consumers Union went through a decade of near bankruptcy before achieving acceptance. Yet from the outset, it could be sharply differentiated from its parent. CU had a crisp style which impressed academic allies. It had a singularly competent medical department which could fill issues of Consumers Reports at a time when meager finances resulted in a paucity of tests. Assisting Kallet were many able consultants who gave support to the new effort. New ideas constantly filtered into the management. Soon CU earned a far more intense hatred by the advertising fraternity than had Consumers' Research, and magazines rejected CU's advertising as anti-business.

In retrospect, CU initially faced a hostile climate of opinion. It was run by amateurs who mistakenly considered the organization's potential audience to be low income groups. Long before CU gained stability, World War II broke out and wartime restrictions eliminated

durable goods from the market, forcing the organization to alter its orientation.

The key to Consumers Unions' success lay in the interest generated by the magazine; it was never dull. It was also careful and it cherished the power of understatement. Through its academic links, it ever improved its coverage of new ideas and as it came to prosper after its first disastrous decade, it poured increasing sums of money into educational activity here and abroad. Most important, it never lost its quest for impartial and objective comparison of goods available on the American market.

After an internal disagreement, Arthur Kallet left Consumers Union in 1957 to establish a Medical Newsletter which would describe research findings concerning prescription drugs. This organization, like Consumers Union, throve under Kallet's guidance. Arthur Kallet was truly a pioneer who maintained high technical standards and built a sound foundation for future consumer growth.

Fortunately, today we have a many-faceted consumer movement with innumerable organizations and a host of federations developed here and abroad. Consumer programs now exist in profusion—consumer councils, consumer safety groups, consumer guidance groups, consumer education groups. Many new leaders have emerged on the scene.

Present-day consumer leaders are building upon a foundation laid earlier by those who established the theoretical and engineering background for a viable movement. At Consumers Union a Center for the Study of the Consumer Movement welcomes students to prepare academic theses on this movement in the hope that greater integrity may be brought to the American market place.

POTENTIALS FOR PROFESSIONALISM IN CONSUMER AFFAIRS

Mrs. Satenig S. St. Marie
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A number of media stories recently seem to indicate a weakening of the consumer movement. They refer to the inability of the consumer groups to create an Agency for Consumer Advocacy, the financial difficulties of Consumers Union, and the decreasing impact of Ralph Nader. Rather than waning, however, the consumer movement is shifting in direction and emphasis and developing a broader support base.

Most consumer leaders now believe that the greatest impact can be made in the marketplace itself. Their goal is to move in this direction through direct communication with appropriate levels of industry regarding specific issues as they surface.

The greatest change in the consumer movement is the growing focus of activities at the grassroots level. The shift is occurring for the following reasons:

1. With increased confidence at the grassroots level that concerns and issues can be dealt with more appropriately by people on the local scene, the need for national leaders like Ralph Nader is not as critical anymore.

2. Consumers at the grassroots level readily coalesce around local issues that impact on their pockets.

3. Consumers achieve a greater sense of satisfaction from involvement with local issues.

The Yankelovich Monitor of 1975 shows a rise in the number of people supporting specific consumer issues. The MAP survey (Monitoring Attitudes of the Public) confirms that consumerism is still the most strongly supported of the social movements (76% for) ahead of civil rights, birth control, women's liberation, legalization of marijuana and communal living.

With this type of acceptance and activity, consumer affairs professionals in business and government today have unprecedented opportunities to provide leadership to their respective organizations. And yet, from my perspective as a Director of Consumer Affairs, the potential for professionalism in this field has not yet been fully explored, let alone

developed. The perceptions of the role of the consumer affairs professional, both by the practitioner and the employer, are confused. To many, especially in business, the consumer affairs function means the department that answers complaint letters or prepares leaflets on how to use products. While not completely off base, none of these are high impact functions as presently perceived.

What, then, are the potentials for professionalism in consumer affairs? As a Director of Consumer Affairs for a large company, let me tell you briefly what we are trying to do, what problems we have, and what potentials I see for professionalism in consumer affairs.

Our goal is to build a department that will serve as an advocate for consumer interests within the company. We want a department where commitment to the consumer will be a basic professional attitude of every person on the staff. We started from scratch in 1973 with no role model for an ideal consumer affairs function, no source to turn to for a formula or a plan. If consumer affairs is to be a high impact function in any given organization, the people working in the function must have a mission. Which brings me to the first in my list of potentials.

Potential #1—We need a definition of the consumer affairs function, whether in government or business, that could be, in essence, a mission statement. This would provide a base for the organization setting up the function and give invaluable guidance and self confidence to the professionals who are honestly trying to make a contribution. They would have a benchmark to measure their concepts about what they think they should do. The dictionary definition of advocate is "plead in favor of," but the definition should go further in defining the mission and the impact to provide a common base from which to build for the fullest impact possible within our organizations, and so that collectively our efforts will strengthen the voice of the consumer.

A proposed policy statement written for our company, when approved by our policy committee, will in essence be a statement of commitment to the consumer by the Penney Company, and by its very nature, a definition of the role of consumer affairs in helping the company to achieve this. A difficult statement to create, it meant clarifying our own values as professionals in consumer affairs, deciding what we meant by advocacy for the consumer and finally articulating this in terms of the leadership we would like to give the company. The five rights of the consumer—right to information, right to safety, right to be heard, right to choice, right to redress—served as the basis for focusing company commitment to the consumer.

Our task would have been much easier with a definition of the field and outside support for what we want to convince the company to do. As it now stands, we are pioneering a major consumer affairs policy for the second largest retailer in the world, and we must give the company the leadership to make this policy a reality.

Potential #2—The consumer affairs professional needs to understand how to function as a change agent. Basically, we are all working as change agents, trying to advocate for the consumer in organizations which up to now have gotten along very well without us.

A great deal of patience and understanding of group dynamics is needed to change the basic decision making patterns in an organization and to create a place for the consumer perspective at the decision making table.

To stimulate positive change for the consumer within an organization, we need to recognize one crucial fact: decisions and changes are hardly ever accomplished through orders issued from the top. The usual process of day-to-day decision making is based instead on influencing. This means that progress for a department such as ours will occur not as the result of directives from the President or the Vice President and Director of Consumer Affairs, but from our ability to work with all levels of management in a persuasive, yet tactful manner.

To succeed as change agents, we must learn to:

- "meet" management where they are: that is, understand the world from their perspective and their needs;
- work toward incremental improvements: not try to achieve Utopia overnight; work for practical, actionable steps which people can implement now;
- recommend and implement a set of combined, interrelated solutions; attacking only one front with one kind of weapon seldom wins battles. We must try a number of solutions, involve many layers of management and keep trying;
- exercise a high degree of patience and fortitude.

The training of students preparing for work in this field must focus on two major levels of study:

1. At the individual level, we need to help develop students so that they can use themselves as resources. The achievement of this goal will allow them to function as change agents. The courses should focus not on external content such as history, theory, or empirical data, but rather on the student as a person—his or her needs, values, behavior and impact on others.

   This means courses would be managed as practicums, emphasizing experiential learning and group interaction. The ultimate goal would be education that helps the student learn how to depend on, help and influence others opposed to the stress on intellectual competition.

2. At the socioeconomic level, we need to help students (and ourselves) learn about the complex interaction between the society and our organizations, such as business. Operating together and increasingly interdependent, they constitute a complex system of forces.

   We therefore need to study the process of decision making and business policy formulation, as is currently done at our best business schools.

This potential for professionalism in functioning as a change agent is one of the most important roles that anyone in consumer affairs can play. Understanding how to play it effectively can be the difference which makes the consumer affairs function a high impact one in the organization.

Potential #3—True competence in representation of the consumer within the organization is the third potential for professionalism in consumer affairs. To begin with, this means a clarification of one's own values as a consumer affairs professional as to the extent of one's commitment.

Why are you working as a professional in consumer affairs? Who is the target audience of the consumer affairs department, whether in government or business? Is it the consumer, as some people in and out of consumer affairs perceive? Or is it the organization for whom one works? Shouldn't the concept of advocacy for the consumer mean that the organization in which one functions is really the target audience for creating change?

This may seem like heresy to some, but, in my opinion, it is loyalty of the highest order. The consumer affairs professional is advocating more sensitivity to the wants and needs of the consumer so that the organization serving the consumer can anticipate consumer needs, rather than respond to them. Ultimately, this is in the best interterests of both the consumer and the organization.

Once the question of identifying the target audience is settled, the task of representing the consumer becomes real, frightening, and challenging. In our company, consumer affairs is represented on such company committees as Product Safety, EFTS, legislation and informal dispute settlement mechanisms. This means knowing in depth the implications for consumers on every conceivable consumer issue, and on short notice at that.

We have been asked to provide the consumer perspective on current issues such as credit billing discrimination, warranties, proposed regulations for expanded care labeling, and on and on. Thus we have arrived at the position where we can be partners in the decision making. But, how well we succeed, and whether or not we are respected for our input, depends on our knowledge of current consumer issues—based on facts. There is no room for Mickey Mouse answers or personal theories.

The consumer affairs professional must have factual input and this information must be substantial enough to be convincing. Otherwise, we will not be invited back. We need not win or lose every battle. In the beginning stages of developing a function that advocates for the consumer, the professional must build credibility.

Let me describe our department and how we are trying to advocate for the consumer, because the entire potential of competence has a direct bearing.

Our Consumer Affairs Department was created 2½ years ago after the company studied how we should respond to the growing consumer movement. The "White Paper" which was prepared, a classic, lays out a broad mandate for representation of the consumer interest in the company at all levels. My job as Director of Consumer Affairs is to create a department that will fulfill this mandate.

Our Educational Relations Department, a part of this new department, is a very firm cornerstone of our program. We will continue to expand it as we fulfill part of our responsibility to advocate for the consumer's right to information. (Joyce Bisbee, Manager of this function, or Nancy Golonka can answer questions about the new consumer education modules.)

In addition, to build a program of advocacy for the consumer from within, we set up a Consumer Relations Department. David Schoenfeld joined us to pioneer this new function. Our goal is to build a high impact consumer affairs function that can really make a difference. Our target audience is the Penney Company—a $7 billion corporation, with 1,700 stores in the United States, 86 stores in Europe, a supermarket operation, a retail drug business, a catalog business, an insurance business, and Treasury Stores, which are a discount operation. Functioning as change agents in this size setting is a formidable challenge. We must perform at a competent level if we are to be respected. The competition for different points of views is high. In addition, many departments look upon us as a threat rather than a partner. If we don't measure up as far as reliability and objectivity are concerned, we lose ground. In an organization of this size, with so many people to influence, we need to make a positive impact each time we try. There is very little room for mistakes.

We do our very best to represent the consumer but our resources for information are limited. We must rely on our own research. There are no strong independent sources of unbiased information regarding consumer concerns.

It would be helpful if universities, with their mandate for objectivity, could provide ongoing documentation regarding emerging consumer issues, consumer concerns, consumer wants and needs. If they could surface the issues, the consumer affairs professional working as change agents in organizations could turn to the universities for leadership and relevant research.

Working as partners, we could avoid the situation that so often develops now where decisions affecting the very fiber of life in this country become a reality before consumers are even aware of what has happened. The potential for leadership in focusing on consumer issues belongs to the academic community. The big question is whether academia is willing to accept the responsibility that goes with this kind of challenge.

In our company, we are trying to develop a partnership between academia and our department. We invite consumer advocates from universities and consumer groups to meet with the decision makers in various departments of our company to discuss emerging issues. The meetings are planned around specific topics, with consumer advocates and business management meeting at the same table to talk about a specific issue from their various perspectives. Although these meetings have been sucessful, the potential for professionalism on the part of the consumer representatives has not always been what it might be.

Many times, in academic circles and in some consumer organizations, issues are based on emotions or theoretical concepts, not on "the way it is." I'm especially thinking of the facts of life regarding our economy and the misconceptions regarding the role of business in our society.

I'm not speaking now as an advocate for business, but as a Director of Consumer Affairs trying to bring about change in a major corporation.

A huge gap exists between the marketplace as discussed in textbooks and the marketplace in the real world. Consumer educators we bring into the company as spokesmen for the consumer need to understand the perspective of the business world. In our role as catalyst, we try to bring the consumer perspective and the business perspective together to dialog as often as possible. To build credibility in business for the academic point of view, educators must be objective about the function of business in our society.

To be realistic about where we can bring about change, we must recognize the checks and balances of our economy. To paraphrase Reinhold Niebuhr, "We must have the serenity to accept what cannot be changed, the courage to change what should be changed, and the wisdom to distinguish the one from the other."

We must see the consumer perspective in relation to other perspectives in our society—to see the forest as well as the trees. Then, and only then, can we stand firm for the rights of the consumers.

Potential #4—The consumer affairs professional needs a thorough understanding of state and federal legislative and political systems. He or she must be able to distinguish between the regulatory functions and legislative mandates. What role does each play in our society? How

much authority does each have? How is the authority of each controlled? What is the difference between a regulation and a law? How does the political climate influence the decisions made? Do we, as advocates for the consumer, really understand the give and take of our political system? Do we know how to lobby for the consumer? Do we know how to give leadership to grassroots consumer groups to help make an impact for their perspective? As change agents, we must understand the system thoroughly so that we can know how and where to influence.

This includes understanding the language of the regulators and the legislators. Every group has a language of its own and to function within that system we must learn to speak the language. This not only includes fine line differentiations between a Trade Regulation Rule and a rule, or between unreasonable risk and substantial hazard, which are the vernacular of the lawyers, but also such designations as S200 and HR7575 which is the legislative identification system for pending laws. We must know what it means when proposed legislation has ended hearings and the implications for the passage or defeat of a bill when the term "mark up" is used.

Without this kind of knowledge, the consumer affairs professional can be easily snowed in meeting with the political and legal interests within the organization and seem naive, thus weakening the impact for the consumer.

Potential #5—The consumer affairs professional must be the source of reliable information on articulated and non-articulated consumer concerns. We must use all available information, including research on changing values, to anticipate changing consumer needs and emerging consumer issues. This information, a valuable tool for the organization in which we function, gives consumer affairs a high degree of credibility.

In our department, we are now developing the components for a major feedback system which will organize all available information on the consumer, research the information that is not available, and analyze the total to provide all levels of management with the information they need. To my knowledge, there is no such comprehensive source now. It is a need just waiting to be filled and Consumer Affairs is the natural one to fill it.

Analytical information about the consumer, organized in a form that's easy to use and understand, can't help but give the consumer affairs function another opportunity for high impact.

These five potentials for professionalism—to define the field, to function as a change agent, to develope true competence, to acquire knowledge of the political system, to achieve credibility as a resource—are not a final list. I see them as high priorities now, in the process of developing a consumer affairs function in a major company or any organization for that matter. If we were to have time to explore this

together, I'm sure we could add to the list. One absolute need for every consumer affairs professional, basic to all of this yet the most intangible of all, is commitment, commitment to the cause of the consumer, commitment that gives the professional that confidence to continue to function as a change agent even when the task seems impossible.

Despite the discouraging days, I am very excited about the potential for the consumer affairs function both in government and business. Today's consumer climate supports consumer affairs as a high priority social issue. I'm even convinced that our adversaries in face-to-face situations secretly want us to succeed. To measure up to the fullest potential of this opportunity, we must have better trained professionals with the competencies needed to make consumer affairs a department that will have a high impact.

Ultimately, I would like to suggest that ACCI consider the possibility of accreditation, not only for the academic training in the field, but accreditation of the individual professional as well. If the level of professionalism is not achieved and maintained, this may become a field of paraprofessionals who carry on band-aid operations instead of one that is counted as an equal partner in the decision making arena of the organization.

The consumer has too long been an invisible element in the decision making process of business and government. We now have the climate to support efforts to make the voice of the consumer heard. If we don't make that voice loud and clear, we have only ourselves to blame.

LEGISLATIVE PRIORITIES—THE WASHINGTON SCENE

Carol Tucker Foreman
Executive Director
Consumer Federation of America

Consumer Federation of American was founded nine years ago to give consumers a voice in Washington. We attempt to be the public policy or, if you will, the political voice of consumers. In 1846 the French historian, Jules Michelet, posed and answered the question that is the key to the effectiveness of consumers in influencing public policy: "What is the first part of politics?" He answered, "Education. The second? Education. The third? Education." At CFA we believe sophisticated consumer education should be the cornerstone of an effective consumer voice in public policy formation. You, as consumer educators, should play an active role in public policy formation as it relates to consumer issues.

A few years ago that great American policital philospher, Art Buchwald, wrote of Hiram Thesaurus, the largest manufacturer of political rhetoric in the U.S. Hiram, who is better known as the "little old phrasemaker," does a booming business in simplistic slogans every election year—"a chicken in every pot," "Tippecanoe and Tyler too," "peace, prosperity and progress." 1976 is no exception. Hiram is doing a great business these days. He has a two-for-the-price-of-one special on "Reduce the size of government" and "Get government off the backs of business."

Virtually every candidate for president is running on one of Hiram's slogans. The man who is president, the leader of our government, gets up every morning and attacks the institution he heads. No one wants to be associated with Washington. Everyone wants to get government out of his life and it's not hard to see why Hiram's slogans are doing so well.

Through the early and mid 1960's we experienced a period where government-initiated programs, largely grant programs, attempted to remedy longstanding and very difficult social problems. The programs were long overdue. However, in order to generate support for them, they were often described as ultimate panaceas for the problems they approached. Poverty programs were going to abolish poverty. Education programs were going to provide a decent education for everyone. The Department of Housing and Urban Development (HUD) was going to solve the nation's housing problems. The big problem was, of course, that the programs were oversold, underfunded, and sometimes badly managed. When ultimate success was not realized, confidence in governmental competence was shaken.

In the late 1960's and early 1970's, we turned our government over to a group of leaders who discredited the programs they were sworn to administer and systematically subverted the civil rights of large numbers of Americans. A citizenry spied upon and burglarized by its leaders is now leery of government—questions not just its competence, but its basic integirty.

To "get the government our of our lives," reduce its size, its influence and its capacity is very appealing. The cry is not new political fare among those who have never accepted an increasing federal role in civil rights, social programs, or worker and consumer protection.

But the appeal is much wider now. Many of us who, in the past, generally accepted, even urged, the use of government to solve problems have been so appalled by government's failure, by government's abuse of civil liberties, by illegal campaign contributions to government officials, we have joined in the cry to limit government.

For different reasons, people of different political persuasion have arrived at the same point—grasping at Hiram's slogans.

Clearly, with regard to civil liberties, government security agencies have stepped beyond the limits of law and the constitution. Steps must be taken to prevent such lawless attempts by government to regulate society.

The cry to get government off the backs of businessmen is a different problem though. Think about it. Do you really want to get government out of your lives? Do blacks and women want an end to equal protection regulation? Do workers want to end minimum wage and occupational safety legislation? Do consumers want an end to truth-in-lending rules, to product safety regulations, to deceptive advertising prohibitions? Do you really want to get government out of your lives, out of your students' lives? Do we want simple slogans?

Ladies and gentlemen, we are a nation of 214 million people who live very close to one another. We are far removed from the individuals whose decisions shape our role in the marketplace. In our society there are few simple questions and fewer simple answers and those who maintain differently are either charlatans or simpletons.

In a complex and crowded society, we must have sophisticated means of regulating our affairs. We have to have government. It is both the obligation and in the self-interest of each of us to make our government work for us. You can be sure it will work for someone. The question is not whether there will be government but whether your government will protect your health, safety and pocketbook or whether it will leave you at the mercy of those who would prey upon you.

It is important that your students know how to protect their health, safety and pocketbooks in the marketplace. They must also know

how government action affects their choices with regard to health, safety and economy.

For example, you can teach your students about electricity and heat conservation. That will lower their utility bills. But those utility bills will be more heavily influenced by decisions made by the state Public Service Commission on such issues as construction work in progress and fuel adjustment clauses. That electricity bill will be even more heavily influenced though by the federal government's decisions on whether to decontrol the price of old oil or to increase competition among oil companies by requiring divestiture of the major corporations or creating a federal oil and gas corporation.

It is important that your students become active in government to make government work for them.

Thomas Jefferson said in his inaugural address that it is the proper role of government to restrain men from injuring one another and otherwise leave them to regulate their own affairs. It is a good guideline to use in determining whether there should be more or less government regulation of business in order to protect workers and consumers.

In some areas, government regulation of business has clearly outlived its usefulness and should be altered substantially or eliminated. The most obvious area is economic regulation designed to regulate natural monopolies by setting rates and quality of service. As a result of faults in both design and process, economic regulation as practiced in the United States has failed. Fares and rates have been kept unnecessarily high. Technological innovation has been reduced. Unnecessary mergers have been tolerated. New entries have been discouraged. For example, the Civil Aeronautics Board has not certified a new trunk carrier since immediately after its inception in 1938. Yet within the California, unregulated, intrastate market, 16 new carriers entered the field between 1946 and 1965.

In 1973 Ralph Nader and Mark Green estimated that this economic regulation, as practiced by the Interstate Commerce Commission, the Civil Aeronautics Board, the Federal Wartime Commission and the Federal Communications Commission, cost consumers somewhere between $16 billion and $24.4 billion per year in unnecessary costs. They suggested that perhaps the time had come to do away with these agencies.

Green and Nader go on to point out, however, that deregulation is preferable only if it does not result in one group of citizens abusing another. Four key conditions must be met.

First, a viable, competitive market must be able to exist. In the case of natural gas and oil prices in the United States today, this is impossible and we oppose deregulation of these rules.

Second, antitrust regulation must be more strongly defined, better funded and more vigorously pursued.

Third, dislocation caused to workers by closing inefficient production units must be met with retraining and relocation.

Fourth, similar insurance must be provided to consumers damaged by the change.

In two other areas, government regulation of business must be substantially increased and improved in effectiveness in order to restrain people from injuring one another. First, antitrust regulation must be improved. The purpose of antitrust regulation is to limit market penetration by individual firms and/or prohibit interfirm agreements that restrain trade. In a free market system, nothing is so vital as effective antitrust regulation. However, in the United States, the history of antitrust regulation has been spotty at best. In its usual form, it has been so notoriously poor that many have forsaken it as a method of regulation.

If it is to take the place of economic regulation, new provisions are required to strengthen existing antitrust laws. Some are before the Congress now. Those proposals include allowing State Attorneys General to use in parens patriae and to require price clearance by the Justice Department for major mergers and requisitions.

It is also time to consider changing the entire concept of antitrust regulation. It is time to declare that oligopoly per se is not in the public interest and to require divestiture in most cases where it exists. If we are going to be a free market system, the government must have the responsibility and power to maintain the free market.

A second purpose of government intervention in the marketplace is to ameliorate the adverse effects of market activities by reducing their social costs, thereby increasing social welfare. This includes government regulation of business to protect basic rights to health and safety and quality of opportunity of workers and consumers. More of this type of regulation is needed in an increasingly complex and technological society where both worker and consumer are confronted with increasingly greater threats to these basic liberties.

The ultimately reasonable and cautious consumer or worker cannot protect himself against many of the health and safety threats in the marketplace or workplace.

The consumer cannot be expected to know that his car exhaust is poisoning the air, . . . that his television set emits dangerous levels of radiation, . . . that his children's drugs are mutagenic.

The worker cannot adequately protect himself against chemicals such as asbestos and vinyl chloride that contaminate his working environment.

Minority and female workers and consumers do not have the power to command equal treatment in credit or employment.

Marketplace forces cannot or will not prevent these abuses. In these cases, there must be more government regulation of business.

There must, additionally, be more government regulation of business when the customer can only act wisely if he has sufficient information about the product.

It is argued that such regulation is too expensive; it inflates the costs of products and stifles innovation.

Health, safety and equality regulation, in fact, make products reflect their true cost—which must include minimizing adverse effects of technology. It shifts the way costs are accounted for. For example, a bumper standard for cars increases the initial cost of the car but reduces repair bills and insurance premiums. Two studies conducted recently at MIT indicate that environmental regulation, while limiting some aspects of production, tends to encourage technological innovation and to create new production.

Present government regulation in health, safety and equality is inadequate. In some cases, it is because there is not yet a sufficient Congressional mandate. Control of toxic substances is one example. In other areas, the Congressional mandate is sufficient but has been thwarted by regulatory failure.

The integrity and capacity of government today is in question. The integrity and capacity of American business, especially the corporate giants, are even less secure. In a 1973 opinion research poll, 75 percent of the respondents said too much power is concentrated in a few companies. Fifty-three percent believed large corporations should be broken up for the good of the country. In a 1974 poll by Yankelovich, 73 percent of respondents said they believe business has too much power.

We have regulation because experience shows that it is necessary. Today when businessmen speak of "decontrol of business" they are not speaking to the need for eliminating that economic regulation which sets prices. They have in mind the elimination of essential, life-saving health and safety regulation, of dignity and liberty preserving equal rights regulation.

At every public gathering where the subject is raised, businessmen will tell you why EPA standards have to go and why we can't afford OSHA and why pre-market clearance for drugs is counterproductive and why, if you'll just let the chicken producer put a little DES in his feed, you'll reduce inflation by reducing the price of chicken. The man is offering the public cheap chicken and a good chance of cancer. That's what industry means by reducing government regulation.

It is astounding how vigorously these same businessmen will support continued government regulation if that regulation protects their business from price competition.

The most outspoken opponents of President Ford's proposals to "reduce airline and trucking regulation" are the airline and trucking industries. The FCC has recently attempted to inject competition into the long distance lines and equipment areas of the telephone industry. Virtually all segments of that industry are seeking legislation to overrule the FCC.

The business roundtable, an organization of major U.S. corporations, is the leading opponent of improved antitrust legislation.

Where are those businessmen who are willing to get the government out of their lives when doing so will mean the end of a subsidy program?

Who is willing to suggest an end to small business preferences because they are not economically efficient?

What business group is willing to lobby the Congress to abolish the overseas private investment corporations, bailouts of major corporations, or the domestic international sales corporation which provides a tax deferral to American companies that ship goods abroad and that is projected to cost the U.S. Treasury about $1.5 billion in this fiscal year?

What business is willing to give up its tax loopholes? Foregoing them would, no doubt, reduce the federal budget and ease some inflationary pressures.

Far from being on the backs of American business, the American government and the American taxpayer have provided to the major corporations of America a large, warm comfortable life. And business is not about to give it up.

American business is regulated, in part, because segments of it have been irresponsible and lawless and like all such elements must be watched.

Why should the American people not demand stronger, more effective regulation of a group within society that has proved—through bribes and illegal campaign contributions—that it is contemptuous of democratic processes in this and other countries?

Now, my recommendations on government regulation will not satisfy Hiram Thesaurus nor those who expect a democratic system of government to function easily and smoothly without constant care and attention by the people.

First, government economic regulation should be phased out in favor of much stronger antitrust regulation.

Second, antitrust regulation should be expanded to prohibit oligopolies.

Third, progress toward mandating government protection of health, safety and equality of workers and consumers should continue and be made more effective.

Fourth, consumers must be granted an effective role in government decision making.

We believe nothing would enhance the regulatory process in this country more than regularizing consumer input to government decision-making.

Each time government acts and consumers aren't represented, the costs to consumers may be enormous. In our government, such decisions are part of an adversary process, and consumers are in the position of being in court with no lawyer. It is unfair. It is costing us billions. The first step in government reform must be to inject a qualified, resourceful consumer representative with power to intervene as a party, to seek information from business and to appeal adverse decisions in court.

We urge creation of the Consumer Protection Agency. Every legitimate objection that business has raised against this legislation has been met. Business and the administration are left now, stripped to the naked truth: to allow consumer representation in government hearings will mess up a cozy, beneficial relationship. Consumers must not allow this attitude to prevail.

Another mechanism for improving consumer input to the decision-making process is the awarding of attorneys' fees for public representation and class action suits.

A lot of folks out on the Hustings today urge you to hate your government; they campaign not on how they will use government to solve problems but against government itself. Benard Shaw said, "Democracy is a device that insures that we shall be governed no better than we deserve."

In 1952 we were going through a similar period of distrust in government. Then a candidate for president, Adlai Stevenson, said: "It seems to me that government is like a pump, and what it pumps up is just what we are—a fair sample of the intellect and morals of the people, no better, no worse. Public confidence in the integrity of government is indispensable to faith in democracy. . . When we lose faith there is always that sinister man on horseback waiting in the wings to come in. When we get so discontented, we look for the ultimate solution and the solution always has its lamentable and inevitable consequences."

There are no ultimate solutions in 1976. There are no simple, easy answers. I urge you to get your students involved in the democratic process. Make consumer education include the effects on consumers of government action. Mark Twain said, "Soap and education are not as sudden as a massacre—but they're more deadly in the long run." I can't think of anything more lethal to anti-consumer policies than a major dose of consumer education mixed with consumer action.

CONSUMER PROTECTION—THE MUNICIPAL APPROACH

Charles H. Vincent, Director
Department of Consumer Affairs
City of Dallas, Texas

The term "Consumer Protection" has a variety of meanings in practice and refers to a number of different approaches to the solution of consumer problems in the marketplace. I intend to discuss one specific approach to consumer protection——the development and application of Municipal regulatory ordinances. To do this, I will discuss the development and operation of the City of Dallas' Department of Consumer Affairs which began operation on October 1, 1972, as an expansion of the Department of Weights and Measures.

The department now has an annual operating budget of $732,000 and 55 employee positions. Regulatory licensing fees and other fees generate annual income sufficient to offset slightly more than 50% of the department's cost of operation. The department provides consumer protection to Dallas citizens through the enforcement of a variety of City regulatory ordinances. These criminal ordinances contain Municipal Court penalty clauses.

Our fundamental role is to respond to citizen complaints alleging individual acts of deception or misrepresentation in the retail marketplace. However, a significant amount of investigative activity is initiated in-house to correct apparent patterns of abuse and to prevent their recurrence.

But, one-on-one response to individual consumer problems absorbs the bulk of our resources. The vast majority of cases that we prosecute result from investigations carried out in response to complaints registered by individual consumers.

The department has responsibility for a broad spectrum of ordinances enacted during the last 3½ years dealing with the following:

1. Consumer Protection—This "little F.T.C." ordinance prohibiting unfair or deceptive acts or practices in trade or commerce contains the traditional "laundry list" of prohibited acts and practices.

2. Weights and Measures—This ordinance requires that all weighing and measuring devices used commercially perform accurately within prescribed legal tolerances, and that all items sold by weight, measure, or count contain the full stated quantity.

3. Electronic Repair—Requires persons who repair electronic equipment used for home entertainment purposes to obtain a license. All charges must be disclosed to and approved by the customer before he becomes liable for payment. A license may be revoked if the licensee is convicted of two ordinance violations within a two year period.

4. Motor Vehicle Repair—Requires that motor vehicle repair firms be licensed. Charges must be disclosed and approved by the vehicle owner before he becomes liable for payment. Two convictions in a two year period will result in license revocation.

5. Home Repair—Repair firms must be licensed. A written contract must be executed for repairs of $500 or more. A written invoice describing labor performed and materials used must be furnished at the conclusion of transactions costing less than $500. Contracts must describe repairs to be performed and materials to be furnished in a manner consistent with locally established trade practice.

6. Home Solicitation—Requires a 3-day "cooling off" period for door-to-door sales transactions over $5.00. It also limits solicitations to prescribed hours and days and prohibits the conduct of any solicitation at a residence displaying a "No Solicitors" sign.

7. Charitable Solicitation—Requires that anyone who raises funds by representing that a charitable or philanthropic cause will be benefited obtain a City permit. It also requires that a specific percentage of total funds raised be expended for direct benefits of the stated cause.

8. Wood Vendors—Provides for licensing of persons who sell and deliver residential fireplace wood. Wood vendors are required to furnish an invoice giving the name and address of the seller, the amount of wood delivered, and the price charged.

9. Coin-Operated Devices—Requires that devices perform properly, that operating instructions be posted, and that instructions for reporting faulty operation also be included. Device owners are required to refund money paid for goods or services not delivered.

10. Mail Order Sales—Requires mail order sales firms operating in the City to deliver merchandise paid for within six weeks, or to deliver substitute merchandise if the substitution is approved by the customer. If acceptable merchandise cannot be delivered, a full refund must be made.

11. Motor Vehicle Tow Services—Requires that firms which remove unauthorized vehicles from private property without the vehicle owner's prior consent must be licensed. Establishes a maximum towage fee of $20.00 and a maximum storage fee of $2.00 for the first 24 hours of storage.

In addition to enforcing these ordinances, we also have responsibility for operation of the Municipal Produce Market which for the past several years has been the highest volume farmer to consumer retail produce market in the United States. We also have a very active public information program conducted by a full time information representative and assistant.

Organized consumer pressure on City government was essentially absent from the scene in 1972. However, positive input was received from a number of citizen groups during the period when formation of the department was being considered.

The fundamental question was whether City government should consider doing more for its citizens in the retail marketplace.

The City Manager initiated a study of the feasibility of expanding the City's consumer-related citizen services. This study consisted essentially of an analysis of consumer abuse in Dallas and other cities in terms of the best available indices. In addition, it involved a rather broad analysis of the organization and functioning of a number of other consumer protection agencies of local, state, and federal government. The study concluded that although Dallas had significantly fewer abuses of consumer rights in the marketplace than other cities of comparable size, they were occurring at a level which should be considered unacceptable by City government.

The end product of the study was a recommendation by the City Manager to the City Council that a Department of Consumer Affairs be established.

The original legislative package consisted of the basic Consumer Protection, or "little F.T.C.", ordinance along with a Weights and Measures ordinance. But expansion of activity has been constant since the beginning of the department to the extent that there has hardly been a time when a new ordinance proposal was not underway.

Enforcement activites are carried out through the four field operating divisions which are Consumer Protection, Technical Investigation, Home Repair Investigation, and Weights and Measures.

The organizational structure further consists of the Administrative Section, the Consumer Information Division, and the Public Market Division.

Our capability for personalized handling of individual consumer complaints by telephone is well identified in the community. We have

four Information Service Aides who devote full time to telephone complaint handling.

The complainant is not required to fill out a form and send it in before action on his complaint is initiated. When a complaint is filed with the department, relevant basic information is taken down by the telephone aide. The person who first talks with the complainant decides whether or not the complaint involves a potential violation of any departmental ordinances.

If a potential violation exists, the complainant is informed that the complaint will be assigned for field investigation. Individual complaints may be assigned for either routine or priority investigation.

If an individual complaint does not fall within the scope of one of our ordinances, the telephone aide refers the complainant to another agency if appropriate. A significant number of the complaints are civil rather than criminal in nature. Where the complainant needs legal assistance but cannot afford it, we often help him obtain assistance from one of several legal aid groups.

If a complaint is assigned for investigation, the investigator recontacts the complainant to see if the facts are consistent with those originally related to the telephone aide. The investigator reviews evidence, availability of witnesses, and other factors necessary to determine whether a prosecutable violation exists. The next step will be a contact with the seller.

If a prosecutable violation exists, the case will not necessarily be tried in court. If a particular violation is not flagrant and not a repeat violation, our policy is to issue a written "notice of violation," provided the seller is willing to make restitution to the complainant in the form of a refund or an adjustment. Our case will be considered closed when the complainant confirms to the investigator that the refund or adjustment was made to his satisfaction. If a seller does not follow through with an agreement of this nature, formal charges are filed in court.

If attempts to mediate would be inappropriate, a court citation will be served on the apparent offender by our investigator. We set each case for pretrial hearing within approximately two weeks of the date the citation was issued.

In the case of certain apparent violations, we go to court without any consideration or a prior warning notice. Examples are: (1) A consistently short-weight meat counter; (2) excessive lead content in gasoline represented as "unleaded;" (3) an odometer rollback where liability is reasonably apparent; (4) a material misrepresentation that could not reasonably have been accidental; (5) inaccurate performance on the part of a weighing or measuring device past the probable point of ordinary wear and tear; (6) a consistently short lot of milk or other commodity filled or packaged on a daily basis.

Also, our investigations take place within a structured framework which is defined by law. The question is whether a violation can be established, and not a complaint that can be resolved by appealing to someone's philosophic sense of fitness or social justice.

A significant number of the cases filed in the department are settled at pretrial hearings by "guilty" or "no contest" pleas coupled with fines. Fines obtained in Consumer Affairs cases have been consistenly higher than fines levied in other types of municipal ordinance cases.

Although Texas State Law does not permit Municipal Courts to assess fines in excess of $200, the threat of adverse publicity is a much more effective deterrent to consumer protection violations than the amount of the fine involved. Both the newspapers and the electronic media in Dallas have consistently shown great interest in Consumer Affairs cases, so that a very high percentage of our enforcement actions are widely publicized.

Incidentally, my investigators are commissioned law enforcement officers with the same legal authority that regular police officers have. Our court cases are handled by a three-person prosecution team assigned to departmental casework by the City Attorney. I also have a general counsel assigned by the City Attorney.

Activity in the department has increased steadily during the past 3½ years. The first year we received 10,561 consumer complaints, 12,113 the second year, and 14,979 the third. Ninety-six court cases were filed the first year, 109 the second year, and 162 the third year.

The dollar value of documented refunds and adjustments made to consumers in lieu of prosecution last year (1974-75) was $206,989, about twice that for 1973-74.

How effective has our approach to consumer protection been? A well structured analytical model that could be plugged into to assess the effectiveness of a particular consumer protection program does not exist, so subjectivity comes into play in determining the effectiveness of various programs.

Those of us involved in enforcement type programs tend to look at our activity from year to year in terms of certain basic indicators. But I think these are more relevant to performance and to efficiency than they are perhpas to effectiveness in the broadest sense.

The usual performance indicators involve such basics as total complaints received, complaints assigned for investigation, dollar value of recoveries, cases prosecuted, etc.

But to measure effectiveness in a broader sense, we had to try to determine what fundamental impact the program has had on the retail marketplace. Our complaint files do not reflect the type of flagrant

economic abuse that was reported to us three years ago. And these complaint files are the most reliable index of economic abuse that we have.

In addition, the established business community has reacted positively to departmental programs and shared the feeling that a well-defined enforcement program, objectively carried out, protects business from unfair competition as well as protecting consumers from abuse.

Departmental programs have also created a more favorable environment for the resolution of individual complaints by consumers.

Effective consumer protection in an impacted population area requires some degree of legal authority for the implementing agency, because many of the built-in protective devices which exist in a smaller town or city tend to break down.

For example, in an impacted metropolitan area, there is very little effective communication between consumers because of geographic and social separation.

And, because of the sheer number of firms involved, the business community is not able to play a self-policing role to the extent that it could in a smaller community.

And, finally, the annual flux in population which a metropolitan area experiences assures an ongoing flow of customers for an unscrupulous seller without his having to depend on any repeat business at all.

A program such as we have in Dallas would not be practical in every community in the United States; approaches of a different nature would be more cost effective in other situations. I hope that within two or three years some in-depth research will be done on the broad effectiveness of various approaches to consumer protection in the retail marketplace.

VIRGINIA APPROACH TO CONSUMER PROTECTION

Mary Ann Shurtz, Coordinator
Virginia Office of Consumer Affairs

Since Virginia has a limited network of consumer laws and the Office of Consumer Affairs has an equally limited budget, its operating philosophy is to use available resources to their maximum to help consumers receive fair treatment in the marketplace. Within these constraints, the office has developed a three-pronged approach: first, the mediation of civil complaints filed by consumers; second, the prosecution of flagrant law violators and third, the education of the consuming public. The first two prongs clearly react to the problem and the last is an attempt to alleviate future problems. In all cases, we make every effort to eliminate duplication of effort between our office and the other county/city consumer offices within the state.

This presentation will be subdivided into several areas: first, the evolution of consumer laws in Virginia; second, the function of the Office of Consumer Affairs; third, a description of our newly established consumer education program; fourth, our method to encourage cooperation between the various consumer offices within Virginia; and fifth, an analysis of our effectiveness.

Prior to 1970, the enforcement of existing consumer laws was restricted primarily to regulatory agencies. The Virginia Department of Agriculture and Commerce administered 67 laws of which 28 protected the consumer directly. The laws dealt primarily with proper labeling, grading, wholesome and unadulterated food products, weights and measures, and plant transportation; the Labor Department enforced the wage law. Other regulatory agencies enforced a host of similar laws. Most of the law violations were criminal with misdemeanor penalties. The state lacked a law allowing the Attorney General to seek to enjoin certain practices.

The Virginia General Assembly felt the pressures to institute some type of a consumer program. In 1970 the Office of Consumer Affairs was established without funding and housed in the Virginia Department of Agriculture and Commerce. Unfortunately, the legislation did not have adequate enforcement provisions and did not authorize our office to subpoena, to promulgate regulations or to hold investigative hearings. We were primarily intended to be a clearing house for consumer complaints. To complement the Consumer Affairs Office, the General Assembly established a Division of Consumer Counsel in the Attorney General's Office, which was empowered to enjoin certain unfair trade and sales practices, to recommend to the General Assembly the enactment of needed consumer legislation and to represent the consumers' interest before governmental commissions, agencies, and departments.

Since 1970, consumer legislation has been limited to specific problem areas such as Landlord-Tenant, Condominium Act, and Credit to name a few. The enforcement of these laws is civil only and does not fall under the section of the code over which the Division of Consumer Counsel has jurisdiction. The only legislation under the Division's Unfair Sales Statutes was the pyramid promotional scheme, home solicitation, and the Prohibition of Referral Sales. Still lacking is an act establishing certain civil remedies for fraud.

On the operational aspects of the office, although the law establishing the Office of Consumer Affairs was weak, we carved out an effective complaint handling and investigative system with a limited staff, currently 14 full time and one part time person. Ten positions are state funded and five federally funded. The main office, located in Richmond with a branch in Northern Virginia, serves the D.C./Virginia suburbs and the northern part of the state.

Purely civil complaints comprise over 90% of all complaints received by our office. The consumers' only resource is to take the problem to General District Court. Some localities offer binding arbitration if both parties agree. However, in most cases, we are able to resolve the complaint satisfactorily. If the complaint is strictly criminal, the investigation report would be forwarded to the Commonwealth Attorney where venue was established. If the Commonwealth Attorney feels that the case is too weak to prosecute under Virignia Law, we may refer it to the Postal Authority if the mails were used, or to the U. S. Attorney in the case of federal violations. If the violation falls within the unfair trade and sales section of the code or misrepresentation connected with sales, the State Attorney General has the power to seek a civil injunction against the practices. The attorney General only prosecutes if the case has statewide significance. He has assigned a full-time assistant to our office to handle prosecution of the Unfair Sales and Misrepresentation Act and to recommend consumer-related legislation to the General Assembly. This past year, six cases were filed and settled. Our office did the investigation for the prosecutions.

Our office takes pride in the quality of investigators we employ—those with experience in getting along with people, experience in negotiation, and an inquisitive mind. To illustrate, a complaint was received regarding a loan consolidation type operation in which the prospective borrower was led to believe that he could get a loan to cover all his needs despite the lack of assets. The firm charged $100 in advance for services which did not result in a loan being granted. The complainant received an itemized statement of charges totalling $1400 and letters of rejection from various loan companies across the nation. Initially, it appeared that nothing could be done since the complainant had signed a valid contract and the company had met the terms of the contract. However, close examination of the loan rejection letters revealed similar wording which was suspect. Our investigator then sent a letter to each loan company which allegedly turned down the complainant's loan application. None of them had done any business with the consolidated loan company. What appeared to be a civil complaint turned into a clear

case of fraud and clearly indicates the value of competent investigators.

Investigators last year were assigned 45% of the cases; 10% were referred to the Attorney General or Commonwealth Attorney, 35% to Local, State and Federal agencies, 3% to BBB, Chambers of Commerce, Trade Associations, etc., and 27% were handled administratively by letter or phone call. The percentages add up to over 100% as some complaints were assigned to more than one agency. For example, a case may be assigned to an investigator and then forwarded to the Attorney General for prosecution.

One of the strengths of the office is its thorough complaint handling and record keeping system. Each complaint has a code number assigned to it, 5-04-(271)-A415-(18)-01. The number reflects the fiscal year, month, chronological number, category number, special category, and final disposition of the case when it is closed. In addition, it indicates how the complaint was handled. The system is rather simple but has worked quite well. We have five sets of card indexes for retrieval purposes.

The third prong of our consumer program is consumer education. An analysis of complaints and inquiries received pointed out that consumers are in the dark when it comes to knowing their protections under existing laws. Many feel they are protected when they are not; others do not feel they are protected when they are.

Most consumer offices with a limited staff fail to hire a consumer education specialist as one of their first positions because the demands made upon the office are in the area of complaint mediation. However, once the investigative staff is adequate, the next staff consideration is in the education area. The fact is if an office's main function was consumer education from the beginning, fewer investigator positions would be needed as fewer consumers would get into situations they could not handle.

Although we do not have a full time staff person devoted to consumer education, the director and myself are doing some work in that area. The office worked with the Governor's Office in establishing a Governor's Advisory Committee on Consumer Education. The committee's primary purpose was to look at what is being done in the consumer education area across the state and make recommendations to groups or organizations were needs exist.

A state-wide survey developed by the committee with the cooperation of the Department of Education was sent to each school. The purpose was to learn the extent consumer education was being taught in the public schools. As a result, the Department of Education at the request of the Governor's Committee formed a curriculum committee to develop some type of organized approach to consumer education. In addition, the General Assembly passed a resolution for the Department of Education to take appropriate steps at all levels of instruction and develop programs

that will assist teachers in incorporating consumer education into existing courses as well as in teaching specific consumer education courses.

In the community, consumer education was identified as a priority area by Title I of the Federal Higher Education Act through a series of workshops. The Consumer Office is working cooperatively with VPI & SU in a consumer education financial management consumer project funded by Title I.

If funds permit, we will also do a pilot project in the consumer area with the State Welfare Department. The basic thrust would be to investigate complaints and problems of low income citizens and provide counseling sessions to help them avoid future pitfalls.

A third approach to education which we are pursuing in Northern Virginia on a pilot basis, funds permitting, is a cooperative effort of the four local consumer offices, the Northern Virginia Branch Office of the State and the Consortium of Colleges and Universities in Northern Virginia. The project would identify 120 key leaders in Northern Virginia and divide them in teams of five members each. The teams would attend a four day seminar with each member of the team concentrating his effort in one competency area, such as credit, money management or legal aspects of the marketplace. In addition, slide sets, instructor's manual and reference books would be developed and given to each team so they might collectively conduct one day workshops or individually present their competency area to a group or organization. This approach utilizes the volunteer sector, the multiplier effect, and identifies a nucleus to help get consumer legislation passed.

To maximize available resources, the office capitalized on the cooperative aspects by letting other agencies know we were there to work with and not in competition with them. When the State Office of Consumer Affairs was established in 1970, only one locality had implemented a consumer office. This gave our office the chance to take the leadership in working with the newly established offices when they came into existence. In fact, our office encouraged localities to establish their own offices. We also encouraged legislation that gave localities the power to establish consumer offices by ordinance if they wished.

After a while, it became obvious that if complaint statistics were to be meaningful, a uniform system needed to be developed. The state office held a meeting with the local directors who decided to adopt the state coding system with a few modifications. The only part in which a consensus could not be reached was in the complaint definition itself. Some felt that only those complaints that were submitted in writing should be counted; others felt that if a person took up five minutes or more of staff time, it should be considered as a complaint. So everyone is recording complaints as they see fit.

One area that has helped to foster cooperation is that we are not in the numbers game with the localities. Telephone inquiries many times

are referred by phone to local consumer offices and vice-versa. This position has allowed the state to concentrate efforts on cases that are cross-jurisdictional in nature and those that indicate law violations.

For all jurisdictions to get a broad picture of consumer activities and subject areas generating the most complaints, a quarterly report form was devised. Each quarter the forms are sent to each office to obtain statistical information as well as information on consumer education activities, cases referred to the Commonwealth Attorney and those litigated. Summaries are mailed to each office.

Looking back over the past six years, I think that the Virginia General Assembly made a good start by setting up a consumer protection mechanism. Unfortunately, the laws stopped short of what is really needed for an effective program. That is a law giving the Attorney General the power to seek civil remedies against fraud and provide restitution for the consumer. The consumer office needs to have subpoena powers and the authority to promulgate regulations and hold investigative hearings.

Although innovative consumer education programs have been designed, the future involvement and implementation hinge on Federal funding. The General Assembly endorses consumer education but fails to provide necessary funds.

For the future, I do not see any significant changes in the consumer legislation unless citizens become increasingly aware that much can and should be done.

AN EXPLANATION OF ELECTRIC UTILITY FINANCE AND ITS EFFECTS ON THE RESIDENTIAL CONSUMER

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Introduction

Recently, the price of electricity has become one of the most profound consumer issues we face. While policy makers at all levels are confronting this problem, millions of residential ratepayers have increasingly fallen into extreme difficulty attempting to pay their monthly bills. Both organized and ad hoc consumer groups have coalesced around the utility issue and have necessarily become sophisticated in their knowledge of the industry. Yet, most consumers are bewildered as to the complexities and vagaries of utility finance and rate structure.

The following attempts to explain the electric utility industry so that residential consumers will be better able to confront the utility dilemma dramatically impacting on their lives.

Structure of the Electric Utility Industry

The electric power industry is comprised of several different types of utility systems, some owned by private companies (investor-owned utilities), some by the Federal government or by other public jurisdictions such as municipalities, states or public utility districts, and some by electric cooperatives—in all, approximately 3,200 individual entities.

The investor-owned segment of the industry is by far the largest, supplying 78% of the nation's total generating capacity (see Table 1). Almost all of the approximately 200 investor-owned utilities (IOU's) are "combination companies" that operate integrated generation, transmission and distribution systems. Over the past decade, a gradual trend toward consolidation of utility systems involving the acquisition by IOU's of small publicly-owned systems has meant these relatively few companies have further increased their capacity share of the entire industry.

The federally-owned segment of the industry accounts for more than 11% of the nation's total generating capacity. It is made up of 40 systems which primarily supply power in bulk for local distribution and

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The opinions in this presentation reflect the views of the author and do not reflect official Federal Energy Administration positions.

Table 1

Percent of Total Electric Utility Net Generation, United States 1962-1973[a]

Year	Total	Privately Owned	Municipal	Power Districts, State Projects	Federal	Cooperatives
1962	100.0	76.4	4.9	4.4	13.6	.7
1963	100.0	76.5	5.1	4.1	13.6	.7
1964	100.0	76.8	5.1	4.1	13.2	.8
1956	100.0	76.7	4.7	4.0	13.8	.8
1966	100.0	77.0	4.6	4.1	13.4	.9
1967	100.0	76.5	4.8	4.4	13.3	1.0
1968	100.0	76.7	4.8	4.6	12.8	1.1
1969	100.0	76.5	4.8	4.8	12.7	1.2
1970	100.0	77.4	4.7	4.3	12.1	1.5
1971*	100.0	77.4	4.5	4.3	12.1	1.7
1972*	100.0	77.6	4.5	4.2	11.9	1.8
1973*	100.0	78.1	4.3	4.3	11.4	1.9

[a]Exclusive of energy used for pumped storage.

*Preliminary

Source: FPC. Statistics of Privately Owned Electric Utilities in the United States, 1973

resale by others. Agencies of the Department of the Interior operate the major Federal systems with one exception, the Tennessee Valley Authority.

Utility systems owned by public bodies (municipal, power districts, state projects) other than the Federal government account for about 8.5% of the nation's generating capacity. This segment of the industry is quite diverse in its composition. About two-thirds of the some 2,000 separate systems are solely engaged in the distribution and resale of electricity purchased from bulk power suppliers. The other one-third operate generating facilities, either as part of an integrated generation-tranmission-distribution system or to supply electricity for distribution by others.

The remainder of the industry is comprised of approximately 1,000 electric cooperatives which primarily supply power in many of the rural areas of the country. 90%[1] of these relatively small cooperatives are engaged only in the distribution aspect of the business. Electric cooperatives account for only 2% of the total generating capacity; however, they serve over 8% of the ultimate consumers.

Investor-Owned Utilities

An investor-owned utility can be defined as having at least the following four essential characteristics:

1. It is a monopoly in the provision of power for a specifically defined geographic area and typically state law imposes an obligation on it to supply all the needs in the area.
2. It is highly regulated by a public commission which has authority over such things as setting rates and establishing rates of return.
3. It is a publicly held corporation and therefore subject to the standards and practices established by the Public Utility Holding Company Act and enforced by the Securities and Exchange Commission.
4. Many of its operations fall under the authority of the Federal Power Commission as a result of the Federal Power Act for such things as interconnection and coordination of electric facilities as well as resale rates for electric power in interstate commerce.

Since the investor-owned sector of the electric utility industry provides power to the greatest number of end-users, is the most heavily regulated and has certainly received the most publicity in the media, this paper will concentrate on an explanation of the factors which precipitated the recent utility financial dilemma and its effects on the large number of residential consumers. (References to the electric utility industry will mean the investor-owned sector, except where otherwise noted.)

Traditional Utility Industry Performance and Practice

For decades, the electric utility industry was the paragon of stability. From 1958-1973 demand grew at an average annual rate of 7.4%. As a result, utility securities were considered to be among the safest available investment and little impeded financing new construction from external sources.

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[1] Federal Power Commission. The 1970 National Power Survey, Part I., Washington, D.C., December 1971, p. I-1-12.

The expansionary phase was marked by significant technological advances made in the efficiency of generating and transmission equipment. This growth-technology combination had an enormous impact on the psychology of both the industry and the investment community. Net generating capacity more than doubled[2] and almost all additions contributed to increasing economies.

As utilities invested increasing sums to build new plants and equipment, regulators permitted them to earn higher profits commensurate with their growing "rate base," and growth in electricity sales almost automatically provided enough utility earnings without the need for higher rates. Regulatory commissions set electric rates based on historical costs; however, since costs were decreasing, utilities typically earned more than their allowable rate of return. Companies were happy because their growth in earnings, profitability, and sales were orderly; commissions were not pressured to speed-up the regulatory process; investors felt confident in their holdings; and residential consumers were not overly concerned since rates were decreasing (Table 2).

Table 2

Average Cost Per Kilowatt-Hour to Residential Consumer, 1962-1970

Year	Average Cost per KWH (Cents)
1962	2.56
1963	2.51
1964	2.45
1965	2.39
1966	2.34
1967	2.31
1968	2.25
1969	2.21
1970	2.22

Source: FPC. Statistics of Privately Owned Electric Utilities in the United States, 1973.

The Turning Point for the Utility Industry

In April 1974, Consolidated Edison Company of New York decided against dispersing its quarterly dividend, the first missed since 1855.[3]

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[2]Federal Power Commission. Statistics of Privately Owned Electric Utilities in the United States, 1973. Washington, D.C., December 1974.

[3]Wall Street Journal, May 17, 1974.

This well publicized action, perhaps more than any other, brought public attention to the industry's financing difficulties. A combination of rising costs and the rather slow regulatory process contributed to the steady erosion of cash flow and traditional utility stability.

Between 1965-1974 the cost of electrical generating plants increased at a prodigious rate; utility revenues almost tripled while cash expenditures for plants almost quadrupled (see Table 3). The need for funds had grown much faster than before. Not only were construction costs and interest rates rising, but the actual lead time necessary to bring a new plant on line increased. As a consequence, continued expansion led to declining profitability for the electric utility companies in the absence of continuous rate increases.

Table 3

Growth in Revenues and Expenditures of Investor-Owned Electric Utiliites ($ Million)

Year	Revenues	Cash Expenditures for Plant
1965	15,404	4,333
1966	16,467	5,284
1967	17,386	6,517
1968	18,800	7,177
1969	20,324	8,294
1970	22,276	9,987
1971	25,053	11,632
1972	38,437	12,713
1973	31,848	14,038
1974	40,096	15,214

Source: Edison Electric Institute. Statistical Yearbook of the Electric Utility Industry, 1974.

Typically, utility profits are a fixed percentage of the rate base or the amount of capital invested in power plants and equipment. The slow regulatory process—often a year or more to decide a rate case[4]—means a lag between the time when utilities spend money on new plant and the day when regulatory commissions grant increases to cover the return on the newly evaluated rate base. Ratepayers are not required to make any payments for costs of Construction Work in Progress (CWIP) until the new plant goes into service and is included in the rate base. In essence, as construction costs outpaced rate increases, utilities found their capital tied up with no returning income.

[4]In a 1974 telephone survey the FPC found that the average time to process a typical rate case was less than nine months, down from 13 months in 1972. Thus, commissions are attempting to reduce the regulatory lag problem.

Over the last decade, the regulatory lag (the popular name for deliberate regulatory process) adversely impacted on utility earnings. As a result, most state commissions began to allow utilities to pass-through fuel costs without prior review by using the fuel adjustment clause. In addition, to keep the utilities competitive in the money markets, most commissions permitted the companies to credit to income an allowance for the use of funds during construction (AFDC). In reality, this is a means of reporting future earnings in the current year. The use of this non-cash item as income has grown dramatically. Consider that in 1965 AFCE represented about 4% of net utility income, but by 1974 it accounted for 31% of earnings (see Table 4).

Table 4

Earnings for AFDC for
Investor-Owned Utilities ($ Millions)

Year	Reported Earnings	AFDC	AFDC as a % of Earnings
1965	$2,556	$ 94	4%
1966	2,718	129	5
1967	2.875	189	7
1968	2,960	275	9
1969	3,130	405	13
1970	3,333	594	18
1971	3,774	822	22
1972	4,356	1,095	25
1973	4,851	1,297	27
1974	5,146	1,596	31

Source: Edison Electric Institute. Statistical Yearbook of the Electric Utility Industry, 1974.

The industry increasingly relied on other cosmetic practices as well. Greater use of accelerated depreciation and investment tax credits were used to bolster earnings reports. These practices improved the balance sheet, but did nothing for real earnings or for cash flow. "By 1974, fully 50% of the industry's after-tax income was nothing more than paper profits, compared with a mere 9% in 1965."[5] The industry suffered from a serious cash shortfall, but as long as inflation-expanded construction and operating costs and commissions permitted companies to disguise this problem, reported earnings still looked somewhat favorable. In actuality, utility returns to capital were declining relative to what was required. When those ills could no longer be hidden, investor confidence plummeted. Thus, the industry's plight was further exacerbated; internally generated funds were drying up as well as sources of external financing.

[5]Business Week. January 20, 1975, p. 48.

The Changing Character of Utility Financing Sources

In the mid-1960's, external financing accounted for about 50% of the capital expenditures of the electric utility industry; the remainder was provided by internal funds—mainly depreciation of plant and equipment, and earnings retained within the industry (see Table 5).

Table 5

Construction Expenditures and External Financing by Investor-Owned Electric Utilities ($ Millions)

Year	Cash Expenditures for Plant	Net New External Financing			Long-Term Financing as Percent of Construction
		Debt	Preferred	Common	
1965	4,333	1,191	151	103	33.4
1966	5,284	2,318	252	148	51.4
1967	6,517	2,598	453	185	49.7
1968	7,177	2,990	461	326	52.6
1969	8,294	3,727	373	744	58.4
1970	9,987	5,460	1,015	1,411	79.0
1971	11,632	5,234	1,602	2,063	76.5
1972	12,713	4,312	2,104	2,252	68.2
1973	14,038	4,860	1,539	2,548	63.8
1974	15,214	7,772	1,743	1,943	75.3
1975	13,800E	6,494	2,101	3,374	86.7

E=estimated

Source: Federal Energy Administration. National Energy Outlook, p. 277.

Thus far in the 1970's, however, external financing has accounted for approximately 75% of capital expenditures reaching 86.7% in 1975. Remember, the amount of internally generated funds is a relatively fixed proportion of the existing net plant or rate base. The National Economic Research Associates (NERA) has calculated that a utility can internally generate funds equal to about 4-5% of its rate base. When capital expenditures rise to 6-8% of the rate base, a utility can internally produce 50% or more of the necessary funds. However, since about 1969 capital expenditures have risen to 12 or 15% of the existing rate base with no corresponding rise in internal funding. Predictably, this source only accounted for 25 or 35% of capital expenditures, while the rest had to be raised externally.[6] Thus, in only a few years electric utilities have become far more dependent on external funds for financing their

[6]Prepared statement of I. M. Stelzer & H. G. Roseman, National Economic Research Associates, Inc., Before the United States Senate Committee on Interior and Insular Affairs, Washington, D.C., August 7, 1974, p. 22.

capital expenditure programs in both relative and absolute terms. But forces have converged to constrain the utility industry's ability to successfully issue debt (bonds) and sell its equities—both preferred and common stock.

Debt—In order to better understand the industry's bond marketability problems, it is vital to be familiar with the "coverage ratio" concept. This is a measure of a utility's ability to cover its existing interest obligations with its revenue from electricity sales. Financial rating agencies (Moody's and Standard and Poor's) heavily rely upon this ratio when evaluating the quality of utility bonds.

Thus far, throughout the 1970's, utility coverage ratios have declined to dangerously low levels followed closely by a steady downgrading by the rating agencies of utility bonds. This phenomenon has occurred for at least the following three reasons. First, general interest rates rose rapidly. From 1965 to 1974 the average yield on new utility bonds increased from 4.6% to 9.7%.[7] The resulting interest obligations exceeded the growth of utility revenue from sales. Second, falling bond ratings require higher interest rates to compensate the potential investor to assume the added risk. Third, several billion dollars of 3 and 3½% bonds are maturing and must be refinanced at rates three times higher.

All of the above have conspired to drive the interest rates on new bonds up and the coverage ratios down, and this gets to the very heart of the utility industry's bond marketing problem. Earlier utility bond issues have provisions which prohibited issuing additional bonds when the coverage ratio falls below a given level, usually 2.0. Many utilities are rapidly approaching or have already reached the point where they are legally prohibited from selling new bonds. Many companies do not earn enough revenue to cover their high interest obligations on their new bond issues and have put relatively less reliance on this external funding source.

Preferred Stock—In an effort to overcome the debt coverage problem, many utility companies in 1969-1970 began to move heavily into selling stock (equity) to meet their capital needs. Preferred stock was emphasized because of what at the time seemed to be a relatively poor market for common stock. Traditionally, these new money issues were viewed as the most expensive form of financing because utilities are not permitted to deduct dividend payments from their taxes as they can with common stock dividends. On the other hand, preferred stock offers tax advantages to investing companies.

While the above appears favorable for the use of this external funding source, many utilities are approaching the limit on the quantity of preferred stock they can issue. Preferred stock levels are set

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[7] Federal Energy Administration. National Energy Outlook, Washington, D.C., February 1976, p. 280.

by the company's articles of incorporation or by the provisions of existing preferred issues. Utilities have become constrained in what they can issue and investors have become wary of what is available.

Common Stock—Thus, the marketing of common stock has become the safety valve in utility financing. Sales of new common stock have increased from $103 million in 1965 to $3.4 billion in 1975. However, the market for these external funds has, over the last decade, substantially weakened due to the industry's poor earnings performance and declining rates of return. These forces have converged to produce new lows for utility stock prices.

Potential investors will shy away from stocks that show an erosion of past investor capital. By not providing competitive returns, the future marketability of common stock is in jeopardy.

The Utility Industry Response to Financial Difficulties

The electric utility industry is highly capital intensive. On average, for every $1 of revenue it receives, utilities have $4 of capital investment. By comparison, the steel industry averages $1 of revenue for every $1 of its plant investment. Thus, utilities are highly dependent on internal and external sources of financing and thereby, extremely vulnerable to economic conditions. Clearly, the combination of inflation, high interest rates, a slow-down in real economic growth, and a legitimate electricity conservation ethic all combining with additional capital requirements to satisfy environmental standards and the move toward constructing very expensive nuclear generating capacity have placed electric utility financing into disarray.

While many schemes have been promulgated from both the industry and government, three major sources of relief have been pursued. First, utilities have sought and been granted unprecedented general rate increases intended to improve company earnings and thereby cure a multitude of internal and external financing ills. Companies complained that their rate requests were not fully granted and, in any case, were not decided quickly enough. However, several of the negative economic forces have moderated (inflation, interest rates, general economic activity and electricity sales), and in light of these recent rate increases, utilities could shortly find themselves in a strong financial position. Both consumers and regulators should be alerted to that possibility and begin to plan for rate decreases.

The second industry response has been to cancel or postpone the construction of new generating facilities. A variety of reasons were reported for delays in construction including financial, problems with equipment, labor, licensing, legal challenges, etc. Plant delays bring up the question of future reliability of systems and their ability to adhere to the regulatory mandate to provide necessary power in a defined geographic area.

Lastly, utilities have been in the forefront in the debate to ease environmental standards. It would appear that the industry is concerned about the cost of compliance with more stringent environmental standards during the 1975-1985 period.

Utility Rate Structures

Despite construction delays and attempts at easing environmental standards, the most effective way of injecting revenue into a utility company is through a general rate increase. While the recent unprecedented rate hikes have affected all customer classes, the most vocal and heavily impacted has been the residential and within that group, the low income and elderly.

The primary reason for this severe impact stems from the way utility rates are structured. Presently, the industry, all levels of government, regulators, the courts, and concerned consumer groups are engaged in a re-examination of how utilities price their power to their customers.

Traditionally, the electric utility industry has structured their rates with declining blocks. Simply, this means that customers are billed an initial service charge followed by a decreasing price per KWH for each additional block of electricity consumed. During the industry's expansionary-decreasing-unit-cost phase, declining block rates were on firm economic ground. The cost of adding capacity (marginal cost) was declining per unit and was below the average cost of the existing capacity; therefore, offering discounts for additional consumption costs made sense. However, when construction costs began to accelerate in the 1960's, the industry lost its return to scale efficiency. Marginal costs turned upward and now surpass average costs by about 20%. Declining block rates have lost much of their economic justification but are still the overwhelming rate structure employed.

Obviously, the relatively smaller user—the residential class—must pay a higher average rate for each KWH consumed.

One rate structure discussed is flat rates. Under this structure, each KWH sold would be priced equally to all customers. Rates, in fact, are flattening. Since fuel costs are passed through equally on all customers, this has had the effect of equalizing the per KWH cost. In addition, commissions have begun to recognize the phenomenon of marginal costs rising above average costs in their deliberations and are granting larger rate increases on larger users.

Inverted rates price electricity at higher rates as consumption increases. Seattle City Light, the second largest municipally-owned electric utility in the United States, implemented an inverted residential rate in November, 1974. While theirs is a mild form of inversion, it does provide a price signal to those wishing to increase consumption.

Lifeline rates have received a good deal of attention at all policy levels. Essentially, a lifeline rate is designed to provide a basic amount of electricity at a low rate per KWH. Thereafter, the rate increases as consumption rises, much as an inverted rate. For example, the first 400 KWH a month could be priced at 2.5¢, or $10 per month, with the price per KWH rising to, say 4¢, for the next block of power. Such a rate is adaptable and able to reflect unique area situations. A city council decision in Yellow Springs, Ohio; a legislative and regulatory ruling in California; and a limited experiment signed by the Governor of Maine all put into effect a form of lifeline rate. In addition, at least 28 separate lifeline bills were introduced in 17 state legislatures in 1975.

Perhaps the most significant activity presently occurring in the reformation of utility rate structures is in the area of cost based rates, or more popularly known as peak load pricing. Utilities must provide power on demand; however, the demand is not constant, so utilities must build sufficient generating capacity to meet electricity demand when it is greatest. The most widely-used measure of a utility's degree of capacity utilization is its load factor. This simply is the ratio of a system's average hourly demand to its hourly load during its peak demand time. Constant capacity utilization would yield a load factor of 100%; in 1965 the industry's load factor was 65% and has slowly deteriorated to 61% in 1975 (see Table 6). Low load factors indicate that utilities are carrying a large, costly, and inefficient portion of capacity that is being used only a few hours each day.

Table 6

Historical Load Factor

Year	Load Factor
1965	65.0
1966	64.7
1967	65.3
1968	63.5
1969	64.1
1970	63.9
1971	63.2
1972	62.5
1973	62.0
1974	61.2
1975	61.0E

E = estimated

Source: Edison Electric Institute. Statistical Yearbook of the Electric Utility Industry, 1974.

Peak load pricing, therefore, would charge a lower rate for electricity off-peak and a higher rate on-peak. The important point about peak load pricing is that it would create incentives to use available capacity more efficiently (improve load factors), eliminate a system of pricing that encourages greater consumption, limit the growth of peak demand, reduce the need for building, and moderate the need for general rate increases.

Great interest in peak load pricing abounds both within and outside the industry. The FEA has, in the last year, participated in regulatory proceedings before utility commissions in 10 states to advocate the phased implementation of this pricing form. Also, the Office of Energy Conservation and Environment in the FEA is funding a series of electric utility rate reform and load management demonstration projects. These projects are testing consumer reaction to, and utility benefits from, different peak load rate formulas. In addition, the Electric Power Research Institute (EPRI) and the Edison Electric Institute (EEI) have jointly undertaken a comprehensive rate design study at the request of the National Association of Regulatory Utility Commissioners (NARUC). This study emphasizes the control and management of peaks. This effort, as well as the FEA activities, will provide much needed data and analysis on the way power is to be priced in the future.

Utility Rate Reform vs.
Consumer Rate Relief

The electric utility industry is slowly moving away from its traditional pricing practices as it recognizes new economic realities. While there is much evidence to suggest that rate reform is necessary, the industry will move cautiously, embracing reform as a long-run solution to its financial well-being. Although peak-load pricing or other innovative rate structures may be beneficial to the residential ratepayer, many in this customer class, particularly the poor and elderly on fixed incomes, simply cannot wait for the long-run. Their problems are immediate and related to the erosion of income by general and energy inflation. It appears that like rate reform for the industry, broadly implemented consumer rate relief will not occur in the short-run.

The bottom line for us all is economic stability. This is certainly true for the utility industry when it considers its access to internal and external funds, and equally true for the consumer in terms of income and employment. We, as a nation, should be confident that the electric utility industry will survive their recent financial difficulties but at the same time we should strive to insure timely and equitable rate relief for the millions of residential consumers who have been so desperately impacted.

SYSTEMS APPROACH TO FAMILY MONEY MANAGEMENT COUNSELING

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Specialized Systems vs. General Systems Approach

The idea of using "a system" has always been at the heart of money management. Accounting, an information system that reveals the stock or flow of money has been used realistically by some families, but counselors have found that many families in deep financial trouble face their first attempt to "get it all together" when they schedule an intake interview (Pease, 1975).

A growing number of scientists from widely varying fields of study have turned to general systems approach as a means of unifying what at first seems to be widely differing concerns. System analysis is both a body of knowledge and a particular way to organize knowledge (Kuhn, 1975, 10).

The discussion which follows summarizes the rationale developed through preparation for leadership in two summer workshops sponsored by the Department of Family and Community Development, College of Human Ecology, at the University of Maryland. It is part of the ongoing program development in a Department seeking a holistic way to view and work with families, and a way to maximize the talents of an inter-disciplinary staff. Part of the rationale has been put together inductively from literature of family financial and consumer behavior and money management.

In order to examine the generality and the application of systems thinking to counseling, certain key concepts from the theory of natural systems will be traced to show how they related to design of new behavior patterns. A series of questions will be dealt with: (1) What is general about systems? (2) What is the potential contribution of systems thinking? (3) How can we focus on action systems? (4) How can we conceptualize family handling of money? (5) What makes a system manageable? (6) How do we get a dynamic view? (7) Where does the counselor come into the picture? (8) Can the systems approach provide a view of the world of counseling?

What is General About Systems?

Laszlo (1975, 13) has suggested that "general system theory" might more accurately be termed a "general theory of systems"; there is

no such thing as a "general system"; however, systems of diverse kinds have some recognizable properties that may suggest relationships and provide a guide as to the right questions to ask.

In applying general theory of systems to real life, we assume that:

1. The whole is more than the sum of its parts. It has some properties of its own.

2. The parts of a system are interrelated, so that a change in one part produces a change in other parts.

3. An understanding of a system can be enhanced by viewing its supra-system and its subsystems.

4. The science of natural evolving systems provides the basis for man-made artificial systems.

5. The person applying a systems approach makes arbitrary choices concerning boundaries and depth of detail which will serve his purposes. He does not begin with "this is the system."

Kuhn (1975, 10) classifies the systems of interest to the social scientists as (1) action or human, and (2) pattern. The ecologist would include chemical, biological, and physical. Money management would be concerned with action or behavior such as searching for information, paying bills, discussing priorities. Some relevant pattern systems might include the language and mathematics involved, or the theories and models of acting systems. Kuhn would consider value systems, beliefs, as pattern systems. While work with a particular material good or energy might require understanding of chemical or physical systems, we will not consider such within the scope of this paper.

Kuhn also makes another distinction which may be important--the difference between real and abstract systems or images. Elements of real systems consist of matter/energy. These can be linked by information, but cannot consist of it. A pattern system has elements consisting of signs or concepts (Kuhn, 1975, 24).

Where do we draw the line? What is the basis upon which the investigator establishes the boundary which separates system from environment? According to Kuhn, it may be: (1) Spatial—e.g., include all the people that live in one house. (2) Functional—e.g., where the father and grown daughter in a given family may hold jobs and earn money while the mother and two younger sons do not, only father and daughter would be included in an "income-earning system." All five, however, are presumably in the "income-using system." (3) Analytical—e.g., this includes all those components of interactions that can be analyzed and understood by using a particular kind of science or a given kind of analysis such as economics or law. Functional and analytical boundaries sometimes merge or overlap.

To bound a system, it may be necessary to identify its level in relation to other systems. You are a system of your own; you are also a part of a family, profession, or city. At the same time, you have subsystems within you. The hierarchial nature is important.

The options available rightly suggest the question: What is the most useful system of interest? Is it the household? The extended family? The members who share resources? Or might a particular problem situation be clarified by recognizing two overlapping systems? The question is not one to which we can provide one immediate clear answer.

Boundary issues then include: identification of (1) an appropriate criteria for establishing a boundary, (2) level in relation to other systems. Answers to these two questions make clear the system of interest and place it in a hierarchy.

The issue of openness-closedness of a boundary is relative. Real systems require fresh input from the environment. Analytical systems are oversimplified; the inputs and outputs are specified, and those which are irrelevant are excluded.

Sociologists or psychologists look at family subsystems of individual family members, roles or dyad relationships. Family or consumer economists, on the other hand, find it useful to draw functional boundaries for areas of concern such as feeding the family, housing, family transportation or for task areas such as decision making, shopping, bill paying, etc. Change agents and managers draw boundaries to identify processes. These examples serve to illustrate the arbitrary nature of drawing the line of the boundary, and re-emphasize that there is no general system, only a general approach.

What are Potential Contributions of Systems Thinking?

Harries (1975, 9), a systems and information processing consultant, discussed the following contributions of systems thinking in his presentation for a Money Management Counseling Workshop:

- overcomes compartmentalization of knowledge
- provides a basis for understanding matter/energy transfers
- provides a basis for comprehending what is going on between the organism and its environment
- provides a general framework applicable at many levels: one person, family, organization, etc.
- provides a tool for thinking in terms of: process, relativity, all-at-onceness
- helps one to see one's self as the active agent
- helps one to generate questions relative to a task
- forces one to clarify assumptions
- serves as a framework for analysis, whether or not it is presented in a visible way

How Can we Focus on Action Systems?

Kuhn (1974, 47) presents his conceptualization of the basic information processing which occurs as human interaction with environment (see Figure 1).

A. Detector provides information about the state of the environment. This corresponds to knowing.

B. Selector compares the state with the goals of the system and selects an appropriate response. This corresponds to wanting.

C. Effector receives instruction from the selector and carries out the instructions. This corresponds to doing.

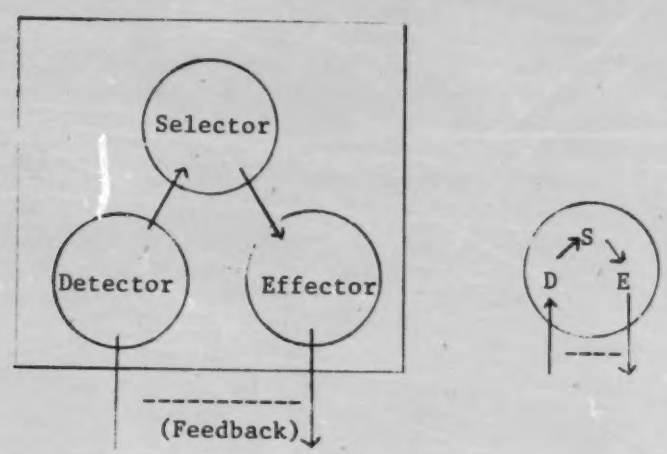


Fig. 1. Human System or Other Controlled System Interacting with Environment

In a continuing system capable of learning (D) the Detector may provide feedback information about the state of the environment following the previous action. (E) The Selector compares the new state with the system's goals and selects an appropriate, possibly corrective response (F), the Effector receives new instructions from the Selector and carries them out.

Unless the outcome of this step leaves everything as it was at Step A, this sequence produces a developmental change in the system, the environment, or the relation between the two (Kuhn, 1974, 47). In an ongoing system, the cycle may be repeated indefinitely, the steps merge indistinguishably. This might be visualized as a spiral effect, if developmental. While we may experience a "vicious circle" if things remain at some unproductive constant level, we should not overlook the extent to which we rely on good habits.

Negative feedback refers back to the Selector and accounts for self regulation by helping to correct for deviations. We might experience this as being "in the groove" when a satisfactory stability is experienced or "in the rut" if it is not viewed favorably.

Positive feedback is the contrasting term applied to information which amplifies deviation and which is associated with an actual change or refocusing of goal or direction.

Kuhn suggests that "to analyze complex behavior in complex systems, certainly including humans, it may be necessary to move to the second level DSE's to deal adequately with the main state of the main level DSE's. In that case, the same six steps would be analyzed within each of the first level DSE's" (Kuhn, 1974, 47). Kuhn represents the different levels of DSE by showing that the Detector itself can be considered as having a detector, selector and effector function. Likewise, so can the Selector and Effector stages be more clearly conceptualized by recognizing a detector, selector and effector function within.

How Can We Conceptualize Family Handling of Money?

There is some hesitancy in applying the term "money management" until further clarification is made. "Handling of money" might be more descriptive of "what is" while "management" has normative implications.

A family or group might be established on the basis of personal attraction, the sharing of goals and resources in carrying out tasks, or both. The failure to cultivate both and maintain them at a satisfactory level may cause disruption and breakdown of the system.

Deacon and Firebaugh in the 1975 textbook, Home Management: Context and Concepts, modified an earlier model in order to make the interrelationship between personal and managerial activities of the family more visible and the deductions from general theory more explicit (see Figure 2). The personal subsystem is concerned with psycho/social

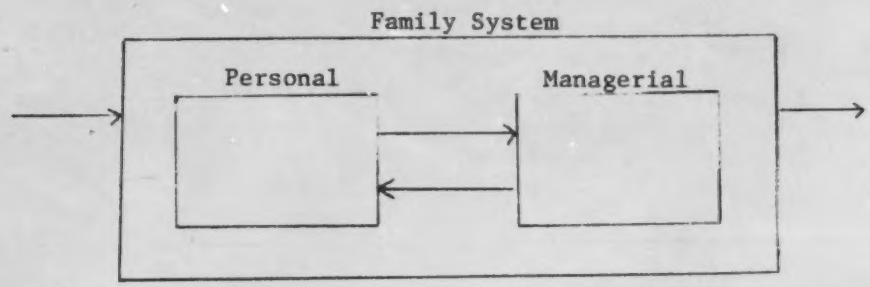


Fig. 2. The Interaction Between Personal and Managerial Sub-systems of Family System

needs and the managerial subsystem with goods, services and environmental conditions of the home. (I am tempted to call them peoplemaking and homemaking.)

The model shown in Figure 3 elaborates the process components of management: planning and implementing and integrates some of the concepts from Kuhn's model.

Planning is the process which involves bringing together and/or generating enough information to create a pattern or image that may be used as a basis for action. It follows the detection of a situation requiring attention. The values of the personal subsystem are brought to bear in selection of a course of action.

Components of planning listed by Firebaugh and Deacon are: (1) standard setting, and (2) sequencing. I will add (3) assigning resources (Steidl 1971, 99) and (4) detecting facilitators.

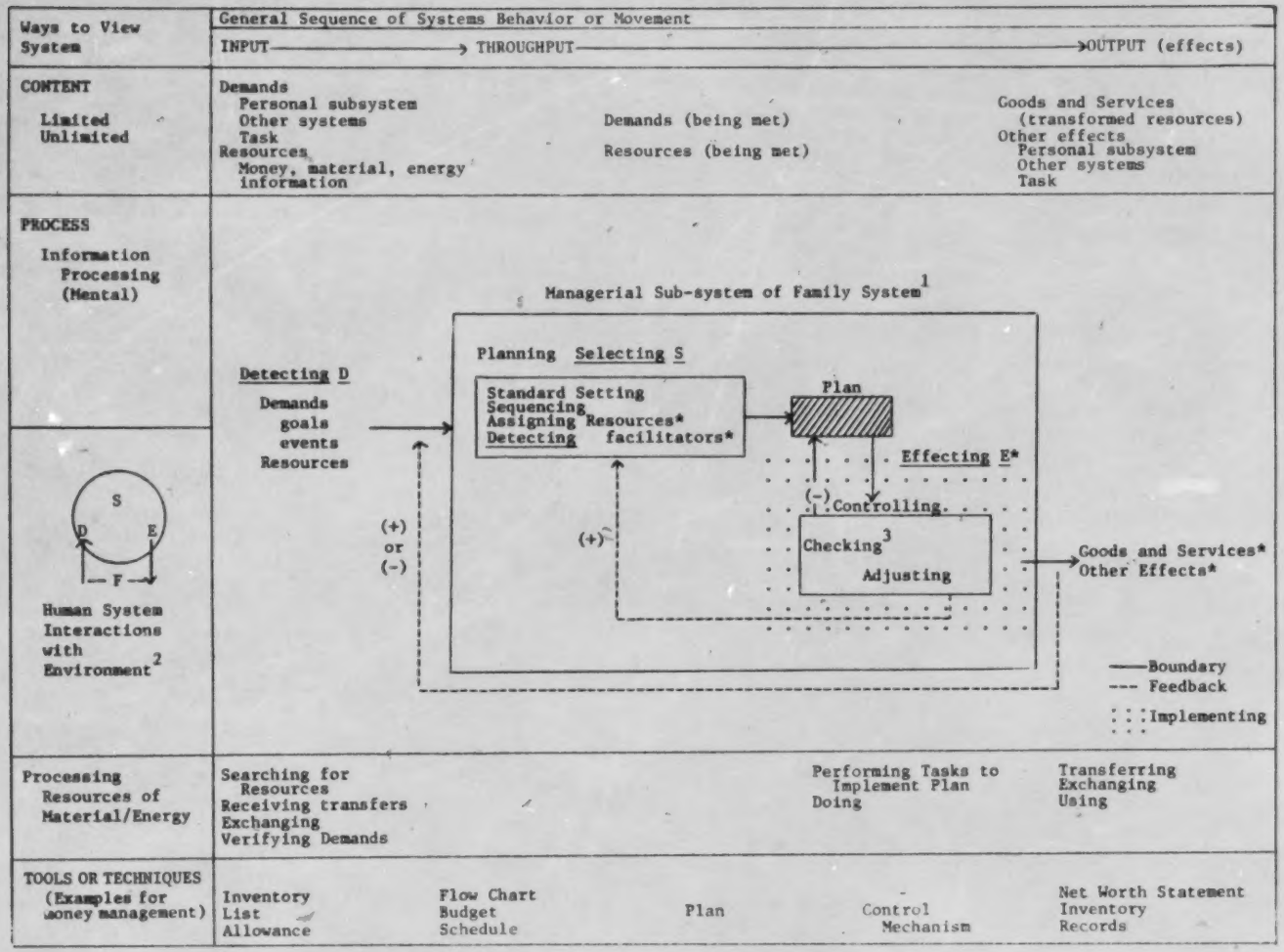
Implementing, the second subsystem, is largely action or effectuation, as Kuhn would call it, but information processing continues and provides the means of controlling the plan through feedback. Checking to see that things are proceeding according to plan is accomplished through "negative feedback." When new information is detected (as in recognizing an opportunity or in becoming more sensitive to one's own selector system) the course may be modified through so-called "positive feedback." This would, by implication, mean that changes will be sought in standards, sequencing or assignment of resources.

The basis Detector-Selector-Effector pattern in human behavior is reflected in the design of a management system. While each of the DSE elements is predominant in a particular component of management, all can be recognized and developed throughout.

What Makes a System Manageable?

An examination of the model might lead us to recognition of some essential properties of a manageable system.

1. A pragmatic boundary delimits a system of interest which has a purpose to be served.
2. Inputs are designated on basis of whether they serve as Resources or Demands. By implication: There must be resources recognizable as related to the purpose, or at least seed money to invest in exploration and development. Irrelevant input is disregarded. Too much conflict in demands may lead to paralysis of system or to working at cross purposes.
3. There must be control. A controlled system can maintain at least one variable within some specified range. (Kuhn, 1975, 14)



[1] Firebaugh and Deacon model with modifications noted at *.

[2] Kuhn model: D = detector, S = selector, E = effector.

[3] Checking uses negative feedback to correct for deviations. Adjusting uses positive feedback to revise plan.

Fig. Model for Selecting or Integrating Approaches to Managerial Counseling

4. There is a time dimension and most usually a space dimension.

When is a person a manager?

1. There is desire for control and/or a willingness to devote some attention and energy to it over a period of time.
2. There is processing of relevant information.
3. Information must be communicated to persons performing the tasks (self or others).

How Do We Get a Dynamic View?

Webster defines Process as "any phenomenon which shows a continuous change in time" or as "a series of operations definitely conducting to an end." Content is defined as "the sum and substance."

A dynamic approach to family money management calls for something more than net worth statements and certain demographic information about the family. How does the family pay the bills? How often? Do they discuss money matters? Is their current situation part or a regular pattern, or is it exceptional?

The managerial action model identifies process components which must be accounted for. The content to be processed (money, materials, human energy, other energy and information) would be viewed dynamically as throughput. The manager may need to monitor the rate at which resources are being depleted when a process is carried out. Such money management techniques as periodically checking cash flow, assessing the amount of money being drained off in service charges and making provision to accumulate funds to meet unusual demands, are activities dealing with these dynamics.

Boulding raises an issue relevant to output:

> There are some very tricky and unsolved problems involved in the question as to whether human welfare or well being is to be regarded as a stock or a flow. Something of both these elements seems actually to be involved in it, and as far as I know there have been practically no studies directed toward identifying these two dimensions of human satisfaction. Is it, for instance, eating that is a good thing, or is it being well fed? Does economic welfare involve having nice clothes, fine houses, good equipment and so on, or is it to be measured by the depreciation and wearing out of these things? I am inclined myself to regard the stock concept as most fundamental, that is, to think of being well fed as more important than eating and to think of so called services as essentially involved in the restoration of a depleted psychic capital. (Boulding 1966, p. 13)

Though the personal and the managerial sub-systems are separated so that each may be considered separately for clarity, in real life they are complexly and dynamically interrelated throughout. An individual who is a human resource by providing energy and information for task accomplishment is no less a friend or lover; money that is a resource still has symbolic meaning for most people. The model allows for the recognition and analysis of such practical and theoretical issues, and through its cyclical nature makes it possible to predict the long range effects of continuing particular behaviors. (Ex., wife spending money to get even with husband, or one family member feeling "used" if he feels that there is too much demand for his resources of time and energy.)

Where Does the Counselor Come into the Picture?

Figure 3 summarizes this discussion. As such, it might provide a model for selecting and integrating approaches to managerial counseling.

The counselor immediately becomes a processor of information. He may begin to sort out what family members tell him, and what he observes, in order to get a dynamic view of the family system so that he can identify possible leverage for change.

When I have talked with students or counselors in training, after presenting the systems model, they frequently ask "Isn't the counselor a 'facilitator'?" This function would allow family members to maintain the responsibilities and choices which are their's. I would broaden the concept of facilitator a bit beyond that employed by Firebaugh and Deacon to suggest that the counselor could be a facilitator for family processes at any point of the management cycle, raising consciouness in detecting, selecting, effecting and using feedback.

Figure 3 makes distinctions between content, process, and tools or techniques, and shows how each is viewed in relationship to the sequence of input, throughput, and output.

In our Maryland workshop, resource speakers who were counselors or counselor trainers, represented approaches which differed in priorities, philosophies, methods of outreach, procedures and depth of involvement with the total family system. An area Pastoral Counseling program and a County Extension Program for low income families could be clearly identified as general money management counseling. The Consumer Credit Counseling Service program which has a national identity for debt counseling is seeking to broaden its effectiveness in preventive education. A Family Service and a County Social Service program representative identified their involvement with money management problems of clients, one in general counseling and one in helping families secure housing. A bank manager likewise identified some counseling being done as people seek bank services or as they run into difficulties.

When a family comes to the Financial Crisis Clinic conducted by Dr. William Buckner of Long Beach, California, students explain the

program, and help family members sort out and list: Income, Essential Living Expenses, Assets and Obligations. The summary is put on a large flip chart for later use. Dr. Buckner takes the lead in actual counseling, occasionally incorporating ideas from the student who has worked with the family. On the wall are two posters used in helping the family view alternatives in meeting their obligations so that they can make a final choice themselves. One poster says: "Four Things Can Happen. (1) harassment (2) cut in services (3) repossession (4) legal action." As these are discussed, it is possible to identify debts that will present the most serious and unwanted consequences and to get a progress report as to what has happened to date. A second poster reads: "What You Can Do About Your Debt. (1) do nothing (2) negotiate with creditors (3) CCCS (Consumer Credit Counseling Service) (4) Chapter XIII (5) Bankruptcy."

Two programs of money management counseling were observed recently by the investigator. Consumer Credit Counseling Service in Los Angeles and Phoenix have developed techniques for sequencing of repayment of debts.

Families who come to Phoenix Debt Counselors have completed an application and a worksheet of information. The first part of a counseling interview is for a brief introduction. The attention then moves to review and discussion of sources, amount and timing of income. The counselor reviews the family estimates of living expenses, asseses how realistic they are and notes types of reductions that have been considered or that might be examined. A total is calculated and the money left over is then examined in terms of how it might be prorated among the creditors. (I was told that rarely if ever can adjustments be made with mortgage and car payments). The counselor uses a calculator to compute tentative amounts that might be acceptable to each creditor. I noted the following criteria for the sequencing of payments: pay off high interest debts first, or negotiate for a reduction or waiver of some of the charges; pay some small bills early to reduce the number of different creditors and to help the client feel some progress; check with creditors who had taken procedures for collection before consulting less pressing ones; check early with creditors whose cooperation has not been established.

The counselor and client come to a tentative agreement on amount that must be set aside regularly for debt repayments if it is not possible to verify all of the information or get complete information during the interview and work session. Some clients elect to carry out payments themselves after they have done this planning with CCCS counselors. A date for the first payment is established and the client fully acquainted with the procedures which will be carried out.

The management of the program is facilitated through computerized writing of checks, detailed monthly statements, and notification of creditors concerning the details of the transaction as reported to the counselor and the proposed repayment plan. The counselor still holds the responsibility for designating the amounts to be paid to each

creditor and for regular monitoring of payments. There are decision points along the line. As one bill is paid off, the amount that had been prorated for this bill is usually used to reduce another account.

The basic procedures at Los Angeles are the same. This city has several outreach centers, but all record keeping and business is done through the main office.

The three programs all concentrate primarily on crisis resolution that may have resulted from poor management. All try to get an overview of assets and liabilities. They concentrate much of their efforts on helping the family understand transactions with business, financial institutions and other community resources. The CCCS's provides the direct service of controlling and implementing repayment of debt for those families who elect the pro-rate program, because they do not feel they have the will power to do it, because they are so frustrated at the mess that they need responsibility simplified for a time, or because arrangements would not be approved by creditors were they not handled through the CCCS.

In both types of counseling programs, the procedures had been carefully formulated, tested, modified and standardized so that working papers could be produced, the method could be taught, and all persons working in the program would know the procedures and the philosophy. There is some discontinuity between the handling of immediate crisis and helping these same families improve long range management. This gap is recognized. At Long Beach, the student interns with an academic background in home management and family economics do some individual follow-up, counseling and consumer education. One experienced counselor at Phoenix has recently been assigned to the development of the education program. Plans are being made in Los Angeles to open up a new education center for classes and interest meetings for clients or others who seek preventive measures.

Schiller has raised an issue concerning the effects of having families who are making application for counseling collect information and list all debts before they make their first personal contact with the counselors. It is likely that a view of the whole picture does make some people who need help conclude that their situation is hopeless. An examination of the larger community network of service systems might provide some clues as to how appropriate help can be sought before self-screening occurs.

There are different philosophies as to whether to raise the discussion of goals as well as problems in the shorter counseling programs, though some counselors feel that this discussion is a natural way to understand basic motivation.

With the introduction of electronic funds transfer systems (EFTS) preauthorization for payment of utility bills, automatic deposit of Social Security checks, insurance payments and wages, families will become more and more involved with new processes and direct services for

handling money. Money is becoming more and more invisible; the concrete experience of relating a quantity of money with a quantity of goods or services is becoming remote. The essential responsibility and opportunity remaining for families is that of making key decisions and building coordinated plans so that they can keep track of where their money is going and of the cost they incur in the process. In Santa Barbara, California, I observed people using terminals in grocery stores and I talked with bankers about the new services which are made possible when automatic clearing houses are set up. I would hypothesize that awareness of managerial decision points and use of information in management will be the important intervening variable that distinguishes consumer satisfaction and dissatisfaction with these services.

Computer services of another type are in use by some counselors of low income extension programs in the Expanded Food and Nutrition Program as well as in general use. Routine calculations and information can be programmed so that the questions and problems of families can be answered. This can expand the service load of counselors, and allow them to be more concerned with the personal and managerial process during counseling.

The counselor who understands family dynamics, can focus on a part, and not lose perspective of the whole.

Can a System Approach Provide a View of the World of Counseling?

By looking at family money management as a system, it is possible to develop a typology of counseling approaches, based upon identifying information in systems terms and then following through to ways to cause a desired change. Some examples are given in Figure 4. For example, Debt, one of the frequent reasons for seeking financial counseling, would represent undesirable outcome of past management. The suggested approach, if the problem is critical, is to move forward considering debt as a demand and proceeding to develop a plan for debt management. In due time, the counselor might help the family identify patterns of behavior, not to place blame, but to gain information concerning processes that should be changed.

The long range development of money managment counseling will be affected by the tremendous philosophical differences concerning the basic way we should go about helping people change. One extreme view of man would lead us to think of family problem solving and actions as growing out of the psycho-social subsystem and that if people are emotionally healthy, they will be able to cope with their everyday affairs. The opposite extreme would be the view that if people learn to be effective in their life skills, they will be healthier and happier. The ecological model would put a premium on dealing with problems in a holistic way, taking into consideration both of the aforementioned possibilities since the psycho-social and managerial subsystems continually interact.

Problem or Goal Information Presented	System Focus	Suggested Approaches and Emphases	General Type
Examples: Debt of $3,500 12 creditors revealed from gathering all bills	Demand on Planning and Controlling	Establish standard for necessary living expenses Sequence payment of debt Assign resources Look for facilitators Design Control Mechanisms	Remedial or Crisis
"We don't know where our money is going."	Inadequate information for feedback	Keep records awhile Design data system Clarify goals as basis for planning	Management Information
Family Arguments About Money	Interaction between personal and managerial subsystems	Work through some specific incidents to get data on behaviors, outcomes and resulting feedback	Family System
How do I use the new automatic terminal for handling funds? Will it help me?	Potential information for implementing funds transfer	Clarify how Planning and Controlling can be facilitated Provide information about the service, its costs and benefits as basis of decision making	Consumer Education Consumer Decision Making
Family gets food stamps; Children look poorly nourished	Entire management cycle Verify standards	Look at food expenditures as a subsystem of family management, defining each element	Ecological System
"We're planning to be married; we'd like to start off right."	Goals	Look at overall management of money with emphasis on clarifying processes and developing information system	Management System

Fig. 4. Developing a Typology of Money Management Counseling Approaches

The management process model may find general use by the counselor who employs it both to view the family and to view his way of working with them. He may or may not use the model as a teaching device in a way obvious to the client. Systems terminology is becoming very much a part of our everyday language, however, as more people have experience with computers in schools, jobs and personal transactions with businesses and financial institutions. This should facilitate family understanding of their own information processing and management and should facilitate communicating with them concerning it.

Summary

The managerial system model provides a framework for a money management counselor as an information processor to begin to organize data relevant to a client family, starting from the problem or goal information presented. He defines the boundaries of a system of interest, or in some instances two or more overlapping systems. The nature of the problem or goal may initially determine the time frame to be considered.

Detector-Selector-Effector is a general natural mechanism, characterizing human interaction with both social and physical environments thus providing a basis for describing and designing changes in interpersonal and managerial behavior of a family.

In managerial counseling, the strengthening of the client's detector mechanism might be likened to "sensitivity training;" the client and counselor are becoming sensitive to family motivation and response patterns, resource content in the environment, and to the demands of the money management tasks.

Counselors are concerned with content, processes and tools of the family members they are trying to help. In addition, they are concerned with their information processing styles.

A family system framework makes it possible to see how parts are related to the whole context of on-going family behavior and family welfare. The counselor, as facilitator, may come into the picture at any stage of the money management process; in some instances he may provide a direct service. Pro-rating of payments and computerized information services were cited as examples of direct services.

In conclusion, the model presented assumes: (1) the task of the counselor is to facilitate the family's own active control of factors influencing economic welfare; (2) it is more important that there be management that works, than that there be any particular type of management system, or that family members play particular roles in planning and implementing; (3) direct focus on the family money management system, in itself, will be one means of creating a shared experience for family members to help them to gain new insights into how they work and get along together and how they deal with the reality of the economic world.

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CONSUMER EDUCATION: THE UNKNOWN LIMITS

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Charles Dickens began A Tale of Two Cities by describing the period as follows:

> It was the best of times, it was the worst of times, it was the age of wisdom, it was the age of foolishness, it was the epoch of belief, it was the epoch of incredulity, it was the season of Light, it was the season of Darkness, it was the spring of hope, it was the winter of despair, we had everything before us, we had nothing before us.

I suppose consumer education in the 1970s might be described by borrowing Dickens' words. In many ways these are the best of times for consumer education. Hasn't President Ford recently added a fifth right to the consumer's bill of rights—the right to consumer education? Isn't this the age of wisdom? Or are we in some ways struggling through an age of foolishness?

I certainly want to believe that in this time of change we can look to the future of consumer education with optimism. We face some challenges—challenges that offer genuine opportunities. I have five of them in mind.

First, I see a difference in society. I see a clearer recognition of the need for consumer education. Second, I see a difference in our young people. They are more knowledgeable about certain things. They've had opportunities to learn from the media. They are more open—perhaps more honest. Third, I see a difference in teachers who teach consumer courses. They are better prepared and more committed. Fourth, I see a difference in the content of consumer courses. Our needs for this sort of education are not only more urgent, but also much broader now. Fifth, I see a difference in teaching-learning materials and in teaching methods. I will say some things about each of these five points.

A Difference in Society

We have recognized in the United States the need to include in our education for the masses, the skills, the understandings, and the knowledge to enable one to be an effective producer in our society. But we have neglected the need to train one to be a consumer. Not long ago, a lady who identified herself as a member of the Virginia Citizen's Consumer Council wrote to Ann Landers. The letter is worth reading:

> Dear Ann Landers: I read with interest your comments on the deficiencies of American education. May I go further. One of the most vital deficiencies is in consumer education. No one teaches students how to shop in a supermarket, how to buy beef, fresh fruits and vegetables, how to buy insurance, how to establish credit, how to grade a car—what to watch for. No instruction whatever on what to do if appliances don't work or where to take any number of complaints that consumers have in regard to faulty merchandise. No instruction on when to sue, or when to notify the Better Business Bureau.
>
> We are a nation of overfed and undernourished. We fall for every trick in the book because we are not informed. When we try to get consumer education into the schools, we encounter a brick wall of opposition. The schools are against it! Yet teachers contact us by the dozens and ask what to teach their students—and how.
>
> Will you please say a good word for consumer education, Ann? People listen to you. —Mrs. D.R.J.
>
> Dear Mrs. D.R.J.: I received dozens of letters from readers urging me to get behind consumer education. You said it best. Here's your letter and my thanks for writing it.

The climate for consumer education has never been better. Government agencies responsible for consumer protection report that they are deluged with letters and phone calls from citizens who are fed up with meaningless guarantees, misleading advertising, unscrupulous sales schemes, dangerous products, and a host of other problems.

Then, too, so many adults have learned to be reasonably competent consumers in the school of experience. They've learned the value of goal setting and budget preparation after going through some stormy years. They've learned how to bargain with car dealers after spending more hard-earned dollars than they had to. They've learned what kind of life insurance to buy, and from whom to buy it, after entering a long-term contract that wasn't the best for them. And they don't want their children to have to learn these things through costly trial and error.

Most children simply are not going to learn enough of these things at home. Too many parents don't know enough to do an adequate job of teaching these skills. Besides, times are changing so fast. New products, new services, new laws, new ways for merchants to circumvent laws —all this makes training to be a consumer mighty difficult.

A Difference in Youth

The second point is the obvious difference in youth today. How are they different? Perhaps there is both good news and bad news. First, some bad news.

How about reading, writing, speaking? Are students losing these basic language skills? Back in 1963, the average score of high school

seniors on the verbal section of the Scholastic Aptitude Test (SAT) was 478. By 1975 that average had dropped to 434. Actually the scores have been dropping for a dozen years. But the decline from 1974 to 1975 was the largest ever recorded by the College Entrance Examination Board—10 points on the verbal section and 8 points on the mathematical section. A similar pattern of decline has been reported by the American College Testing Program (ACT).

More bad news? The National Education Association reported that in 1974 about 244,000 teachers experienced malicious damage to their personal property by students, a 56% increase over the previous year. During the first half of the school year, 64,000 teachers were attacked by students. A recent estimate put the annual cost of school vandalism nationwide as high as $500 million.

An English study completed recently reminds us that we now have the first generation which has experienced television from birth to adulthood. It also reports that the average American child between 5 and 14 sees the violent destruction of no less than 18,000 human beings, and suggests that this TV fare has produced a markedly more violent generation.

Now certainly this is not the first generation to see violence depicted through movies and newspapers. Dr. Malcolm Moos, former president of the University of Minnesota, in a commencement speech said, ". . . the quantitative change is so great that it may become qualitative—seeing an occasional western at a Saturday matinee is profoundly different in psychological impact from seeing violence every day for many hours. And there is another important difference: This is the first generation to have grown up and seen real, not imaginary, violence as it happened with TV cameras capturing the assassination of no less than a half dozen significant American leaders, the burning of major cities, and the seemingly endless violence in such places as Vietnam."

James A. Harris, president of the NEA, cites as a key factor that may be responsible for the alarming increase in school violence and vandalism, "Alienation of students by inflexible and outmoded disciplinary and educational practices, inadequate and unrealistic learning materials and practices, and institutional inflexibility in meeting individual student needs."

Of all the teachers who should not be guilty of inflexible and outmoded educational practices, or inadequate and unrealistic learning materials and practices, consumer teachers stand at the head of the line. What we have to offer is real-life stuff—it's relevant, it's important, it's interesting, it's exciting, it's vital. What a chance to turn students on!

That's part of the <u>good</u> news. I don't really believe students are all that much different from the days when you and I were students. If anything, I think they are better informed about many, many things.

Being a bit old-fashioned, I think at times they have the advantage of learning certain things too fast. I sit with my 15-year-old son, a sophomore in high school, and watch TV programs that present ideas that embarrass me (because he is there with me). But I notice he takes it quite in stride—as though either (1) he is quite knowledgeable about these things, or (2) he didn't know that, but it's high time he found out.

Back when I was a sophomore in high school, the air was clean and sex was dirty. Now that is reversed, isn't it?

Maybe our principal chore is to turn students on with things that are relevant, important, exciting. We have that opportunity, you know, as consumer teachers.

But what about the lack of communication skills, as evidenced by the poor test scores? I know college teachers bemoan the fact that students cannot write— they can't even talk! Well, I like the statement made by Richard Horberg, Professor of Rhetoric at the University of Minnesota. Professor Horberg doesn't think students are the worst writers on campus. Then, who are the worst writers on campus? Surprise! Professors are. "The worst writing you find today in the real world is in the formal reports that professionals write," said Horberg.

Pompous, wordy prose is "turned out by department heads and deans, and certainly you find it in the professional journals. Our freshmen don't write like that," he said. "If their writing is bad, it's because it's sloppy, not because it's pretentious and swollen."

Not only is scholarly writing often pretentious, Horberg said, but "often it's ungrammatical, too, and incomprehensible. . . . Our freshmen haven't learned that kind of writing. I hope they never do, but some of them will."

A Difference in Teachers

How do teachers of consumer courses differ now from those who taught the courses previously? Consumer courses are becoming more prevalent throughout the nation, and with this increase in popularity has come (and in some cases, will come) an increase in the effort to prepare consumer teachers. One of the issues facing us today is whether consumer education sould be taught as separate courses or integrated in already existing courses.

Making it a part of existing courses might sound good, but how much will be accomplished? Will the teachers be committed to consumer education? Are they properly trained and sufficiently motivated to work on a program of consumer education that will really make a difference? Even though most schools attempt to prepare young people for real-life problems in existing courses, the evidence is overwhelming that the typical student, when he finishes school, does not even know what is an adequate diet, much less how to get it on a low income. He knows little,

if anything, about the requirements for adequate housing. If asked the most elementary questions about city and regional planning in relation to housing, most of them would give no answers at all.

Separate courses in consumer education will at least insure that the opportunity exists to devote full time in the courses to consumer issues and problems. Where the teacher has elected to be a consumer teacher, and has been trained accordingly, the students have the advantage of being taught by someone committed to consumer education, and knowledgeable about the field.

The important thing, of course, is to have a consumer education program. A school obviously can have a good program or a mediocre program when it incorporates consumer education in already existing courses. Similarly, it can have either a good or a mediocre program when it offers consumer education as a separate course.

Warren Bennis, the social psychologist, says that it is doubtful if even the greatest geniuses were ever using at any one time more than, say, 80% of their total potential. Few of us are using even 50%. That there is a deep hunger for things we cannot find is evident in the findings of the Senate's own survey that 53% of Americans feel there is something "deeply wrong in America" today. What is missing?

One thing missing is dedication. Dedication is finding something to believe in with passionate conviction and intensity. John Gardner has said, "The best kept secret in America today is that people would rather work hard for something they believe in than enjoy a pampered idleness." Psychologists tell us that with all the mobility and unconnectedness around us, it becomes more and more important to develop some permanent and abiding commitments.

What should these commitments be? A person? An idea? An institution? Each of must find it for himself. But, I submit to you that one of our commitments should be to teaching. In consumer education there are so many needs begging for commitment, for caring—

—caring about the fact that the poor pay more and then using your power to help remedy the situation.

—caring about the extent of consumer fraud, and finding out how to put a stop to at least some of it.

—caring about the fact that perhaps millions of teenagers who get married are not in the least bit prepared to handle money matters, and thus many of them end up so far behind financially that their bitter lesson hurts them for much of their lives—some end up in divorce.

—caring about the fact that most high school and college graduates are really quite ignorant about life insurance (and thus buy the wrong policies resulting in their being underinsured while at the same time they are overburdened with premium payments).

—caring about our economic system and finding out about abuses that must be corrected if the system is to continue to work.

And that is just a beginning of the things we can care about. When we do care, we will be committed. When we are committed, we can expect to motivate students, but not before.

A Difference in Content

My fourth point is that we have a difference in need. For this reason the content of our consumer courses must be different.

I believe that consumer education involves various levels of instruction. I have divided these levels into four major groupings.

1. The cornerstone of any program of consumer education is, I think, instruction in buymanship and money management. At this first level, we are dealing with tactics, with developing practical competence. Stuednts need to learn how to keep financial records. Many of them need some instruction in wise buymanship—and we usually zero in on buying food, clothes, housing, appliances and other big-ticket items for the home, buying cars, and even buying vacations.

2. A higher level of consumer education is providing experiences that will encourage students to develop a personal philosophy consistent with their goals in life. We deal with choice making and with the ideas of opportunity costs or alternative costs. In actual life, many things compete for our dollars. What we spend those dollars on determines what we get out of life.

At that first level, the concern is for clever buying and shrewd bargaining. At a higher level, the concern is choice-making. What place a product is going to have in one's life is really much more important than choosing among various brands.

3. A third level involves making certain consumers are aware of the broad consequences of their acts as consumers. Here we focus in on the moral climate of the marketplace. Consumers have rights; they also have responsibilities. When we buy goods and services, we cast dollar votes, or economic votes, as you know. Do we really determine the products that are to be available in the market? If we have products that really do nothing to promote our welfare as consumers, is it because we have signaled the fact we want them by our purchases? How about honesty on the part of the consumers?

4. Then, a fourth level of consumer education consists of shaping social thought in our nation. Enlightened consumers should be aware of the protection afforded them by government agencies.

Then, too, consumers should be aware of consumer organizations, such as the Consumer Federation of America, the American Council on Consumer Interests, Consumers Union, and the like.

An important part of consumer education is giving students instructions in how to organize as consumers. Why not organize? Ralph Nader claims businessmen say, "No, act individually." Act as individuals?—that's safe for businessmen. But business firms organize. They form cartels, trade associations, and so on. Unions organize—they organize workers. But consumers organize? That's subversive! Training in consumer organization should be a part of consumer education.

So, there are four levels of consumer education. I think the level we are on depends chiefly on the skill and maturity of our students, a distinction valuable for planning teaching strategies.

A Difference in Materials and Methods

The fifth thing I see on the horizon is materials and teaching methods available for use in consumer classes.

One of my favorite authors, Isaac Asimov, wrote about "change" in the July, 1975, issue of American Way. He mentions that by the use of laser beams and holography, we can produce three-dimensional images more detailed than anything that can be done by ordinary photography on a flat surface. By modern taping procedures we can produce TV cassettes on any subject, so that the individual can play what he wants on his own set at a time that suits his convenience.

We keep improving our means of presenting information and entertainment to people. What will be the ultimate? Dr. Asimov said that he watched a demonstration of TV cassettes once and couldn't help but notice the bulky and expensive auxiliary equipment required to decode the tape, put sound through a speaker and images on a screen. The direction for improvement, he thought, will be that of miniaturization and sophistication, the same process that in recent decades has given us smaller and more compact radios, cameras, computers, and satellites.

We can expect the auxiliary equipment to shrink and, eventually, to disappear. The cassette will become self-contained and will not only hold the tape but all the mechanism for producing sound and images as well.

Other improvements? The cassette should become more and more nearly portable, until eventually it can be carried under one's arm. It should also require less and less energy to operate, reaching an ideal where it would require no energy. The ideal cassette would be visible and audible only to the person using it. Eventually, there will be a single knob to control the cassette—or perhaps none at all!

What a fantastic teaching device such a cassette would be! A cassette that may deal with any of an infinite number of subjects, that is self-contained, portable, non-energy-consuming, perfectly private, and largely under the control of the will.

Is this just a dream? Then, Isaac Asimov, in his article, shocks the reader. This is not a dream, he says. We will not only have such a cassette some day, we have it now! And we not only have it now, we have had it for centuries. The ideal he described is simply the printed word—the book, the magazine, the newspaper.

You cannot read without hearing the words in your mind and seeing the images to which they give rise. Actually, they are your sounds and images, not those invented by others for you—so they are better.

We all appreciate TV, movies, film strips, slides, transparencies, simulations, and games. But isn't it good to have someone remind us that the printed word is really quite wonderful? And we have words in abundance that help us teach consumers.

One of our students works as a meat cutter in a local supermarket in Stillwater, Oklahoma. He said bad conditions do not exist in the market in which he works (thank goodness!), but that he had seen poor meat vending elsewhere. This semester a student who works at a rest home resented the implication that rest homes buy unift meat. They simply cannot buy food unfit in any way for human consumption, because of strict state regulations, he maintained. So we are currently finding out how our government looks after rest homes. Life is never dull for a consumer education teacher—we can't possibly know about everything. But we have scores of students who can help us find out!

Help us find out! What we are teaching is relevant, and it is current. We "find out" by reading our daily papers, weekly news magazines, government reports and releases, and consumer magazines. We have Dr. Asimov's fantastic cassettes—the written word.

On some days, we start our consumer issues class with what would be called "Show and Tell" in elementary classrooms. As part of their course work, students are expected to do some related, consumer oriented reading each week in current newspapers or magazines. Hearing aloud their reactions to their reading is interesting indeed.

We need information. Our news media could go much further than they have in providing information about services, products, frauds, and the many other bits of news that would really help us.

Newspapers do a fine job of criticizing plays, movies, politicians, and even sports teams. No one seems to be unduly concerned that a bad review of a play may have some effect on the lives of the actors in the play or the producers of the play. After all, we say, the public has a right to know whether a play is excellent, fair, or lousy. But when a newpaper and TV station in Minneapolis investigates rotten meat sold as hamburger, many become concerned about hurting business people.

We might also benefit from a shopper's guide that rates insurance commissioners, banking regulators, attorneys general, legislators, and other government officials. How ironic that we get better evaluations,

rankings, and statistics of football and basketball teams than we do of government officials.

Readers of newspapers have always been interested in how-to-buy stories or how-to-fix stories. Now, the media is noticing that those same readers also are interested in the moral climate of the marketplace—in "is it right?"

> Is it right for huge supermarket chains to promise bargains they don't deliver?
>
> Is it right for bankers to sit on the board of trustees of a voluntary hospital while the hospital's money sits without interest in the trustee's bank?
>
> Is it right to pay through the nose for car insurance because someone thinks you must find who's at fault after the accident?

The way business deals with its customers is news. It's a lot bigger news than whether General Motor's profit was up or down last quarter. Or whether a regional sales manager won a trip to Bermuda for the sales of his region. Or whether a district sales convention is scheduled for January or February.

Many excellent teaching devices and ideas are now available for consumer teachers. New films, new film strips, new simulations—all of these things plus the enthusiasm and dedication of the teacher—are what will make the difference.

I believe we will make more and better use of the community in our teaching. We'll interview consumers, merchants, government officials. We'll ask questions and listen to answers. We'll write letters to editors. We'll publish our facts. We'll involve parents.

What are the limits to consumer education? We should look for opportunities rather than limits. I believe we should examine five differences: differences in society, differences in youth, differences in teachers, differences in the content of consumer courses, and differences in materials and methods.

AN EXPERIMENTAL INVESTIGATION OF THE CONSUMER USE OF EXPLICIT PRODUCT INFORMATION

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The study was designed to investigate the effect of objective information on consumer brand choice. Objective information was defined as the output of a competent and disinterested party. Information of this type is not readily available in the marketplace. Two marketplace modifications in which such information might be made available were distinguished. The first involved mandatory provision of such information by legal requirement; the second, the provision of objective information at the discretion of the individual firm. Bills to impose modifications of this nature have been introduced into the United States Congress. Consumer reaction to such information provision is of great importance to public policy formulation.

Background

The "consumerism" movement has spawned many calls for more and better information in the marketplace. The increasing desire of consumers for better information to assist them in making their purchase decisions has resulted in political action to increase the availability of such information. "Truth in Packaging" represented congressional action to provide more complete information on the labels of packaged consumer goods. The likelihood of further legislation to require that more information be provided consumers is sufficiently high to make the study of consumer reaction to such information a worthwhile topic.

There has been little published research into consumer information needs, as contrasted to consumer utilization of available sources of information. However, there has been extensive research into consumer perceptions of price, in many purchase situations the only objective information available to the consumer. While much of the research into the informational dimension of price has proved contradictory, evidence shows that consumers use price as an indicator of product quality. The adage, "You get what you pay for" carries significant weight with consumers even though the relationship between price and objectively determined quality is tenuous.

Research on the effects of explicit objective information has had mixed results. One study which investigated the effect of Consumer Reports' evaluation of a fashion item on student perceptions of quality and value was inconclusive. Another investigator found that information of the type provided by Consumer Reports significantly altered perceptions of razors and automobiles.

Statement of Hypotheses

The research postulated two modified marketplaces, the first concerned itself with the mandatory provision of objective brand information, and the second with the discretionary, and in this study partial, provision of such information. The hypotheses were stated as follows:

1. The provision of objective information at the point of purchase on all available brands in a product class will result in a shift in brand preferences.
2. The provision of objective information at the point of purchase on some of the available brands within a product class will result in a shift in preference toward the "objectively evaluated" brands.

Research Design

Objective information, as conceived in this research, is not available in the current marketplace and thus the use of a simulated environment was necessary. The two ways of achieving this environment were in-store and laboratory experimentation. The latter was chosen for reasons of convenience and control. The laboratory experiment provides maximum internal validity and measurement precision. The experimental procedure required the determination of brand preferences and perceptions under differing conditions of objective information availability.

The experimental design utilized was a posttest only control group, specifically a randomized block. The blocks were distinguished by the presence or absence of objective information on the brands within a product class. The design has been outlined below:

Hypothesis	Situation Number	Experimental Situation
1	1	$A^1\ B^1\ C^1\ D^1$
	2	$A^2\ B^2\ C^2\ D^2$
2	3	$A^1\ B^1\ C^2\ D^2$
	4	$A^1\ B^2\ C^1\ D^2$
	5	$A^1\ B^2\ C^2\ D^1$
	6	$A^2\ B^2\ C^1\ D^1$
	7	$A^2\ B^1\ C^2\ D^1$
	8	$A^2\ B^1\ C^1\ D^2$

A, B, C, D, represent the four brands within each product class and the superscripts 1 and 2 represent the absence and presence of objective information, respectively. Each subject (excluding students used in a

pretest) was assigned to one of the above experimental situations. For example, a subject assigned to situation (4) provided brand preferences when brands B and D were provided with objective information, A and C without. For a given subject the experimental situation was the same for all three product classes used in the research. It is readily seen that Hypothesis 1 involved either complete provision of objective information or no such provision, whereas Hypothesis 2 involved partial provision only.

A variety of potential sources of objective information were considered. Consumer Reports, the major consumer publication emphasizing product evaluations by brand, was chosen. To maximize comparability between product classes, the objective evaluations provided the same dimensions of information for each of the three product classes. These dimensions were:

a. Price (effectively "unit price" as all brands within a product class were the same physical size);

b. a measure of output per unit of product (as output was defined by the information source, in this research Consumer Reports); and

c. "true" unit price which represneted a combination of the above two items of information.

The primary dependent variable used in the research was brand preference. The brand preferences obtained in the study were transformed using the Fisher-Yates transformation to normalize them so that they could be used in the analysis of variance (ANOVA). The results of these analyses have been summarized in the next section. In addition to the brand rankings, subjects were requested to indicate their brand perceptions on a set of bipolar scales which were specific to each product class. These scales were designed to:

a. determine the overall evaluation of each brand on a 7-point scale;

b. determine subject brand evaluations on a dimension which was expected to be independent of any objective information provided. An example common to all three product classes was concerned with subjects' assessment of how "well known" a brand was; and

c. determine subject evaluations on an attribute which might be expected to depend on the brand objective evaluations. For each product class there was a scale asking for subjects to assess the capacity of a brand to deliver output—this capacity was stated on the objective evaluation of the brand.

The choice of product classes and brands within a product class was based on a number of criteria. For the product classes the following criteria were applied to the selection:

a. that the product be typically available on supermarket shelves;

b. that there be available a recent comprehensive survey of the product class by Consumer Reports;

c. product class prices be low enough to make feasible the reward system incorporated into the experimental procedure; and

d. that the product class be one in which products had a standardized package and were branded.

Based on these criteria, the product classes selected were bacon, hand dishwashing detergent and D-cell batteries. Brands within each product class were chosen on the following bases:

a. it was essential that the brand had been included in the Consumer Reports' survey of the product class;

b. that the chosen brands be available in as wide a selection of supermarket outlets in St. Louis as possible;

c. that the objective evaluations alone (with brand names disguised and no physical product) generate a specific set of preferences. This requirement was necessary for the analysis of the experimental data.

The brands used have been tabulated below:

Product Class	Brand
Bacon	Armour Star, Oscar Mayer, Surrey Farm, Swift's Premium
Hand Dishwashing Detergent	Lux, Palmolive, Thrill, Trend
D-cell Batteries	Eveready 950, Eveready Super, Mallory, Ray-O-Vac

Implementation

The data collection phase of the research fell into two stages. The first stage involved a pretest of the brand preference generated by the objective information alone (brand names disguised and in the absence of the physical product). This collection of data utilized business students from St. Louis and Washington Universities. The pretest confirmed the expectation that the objectives information alone would generate a specific set of brand preferences within each product class. For this pretest, subjects were exposed to three clusters of four-typed sheets. Each typed sheet was comprised of an objective evaluation of a given brand in a standard format and each product class was presented in a cluster. They were required to indicate their brand preferences within each product class and also to assess each brand on the set of bipolar scales.

The second major stage of data collection utilized adult women as subjects. These subjects were recruited through a Protestant church in suburban St. Louis. Participation was obtained through a dual financial appeal. The researcher paid the church $2 per subject and also paid each subject the sum of $2.50 in merchandise and cash. Different subjects informally indicated that they participated for different reasons but the reward system appeared to be effective in obtaining cooperation of a group of women who were not experienced subjects in consumer research. Ages ranged from 20 to 70 years.

The data collection was performed in facilities provided by the cooperating church. Products were displayed on a large table. The physical layout is briefly described below:

a. The left-to-right sequence of product classes was identical across all information conditions. Similarly, the left-to-right sequence of brands within a product class was common to all information conditions. Thus any situational bias was common to all information conditions.

b. for the hand dishwashing detergent and D-cell batteries, the same physical product was used throughout the investigation. The perishability of bacon rendered this approach inappropriate and so bacon samples were switched frequently.

The experimental sequence was as follows: Prior to eliciting responses, the subjects were briefed. The format was not standardized, as a major aim of these introductory comments was to create a rapport with the participants, most of whom were inexperienced in consumer research.

The formal phase of the data collection required participants to follow a written set of procedures. These instructions asked subjects to assume that they were in a self-service store and wished to purchase bacon, hand dishwashing detergent and D-cell batteries. In those information sets where objective information was provided, subjects were told that in addition to the conventional product displays, additional brand information had been provided. They were informed that this objective information ". . . has been provided by an independent, reputable testing organization, and has not been influenced by the manufacturers other than through his product." Further, they were told that they would be required to buy their first choice in each product class with their $2.50 allowance and allowed to keep these brands and their change.

Subjects then in turn ranked the brands within each product class and evaluated each brand on the appropriate array of bipolar scales. To complete the data collection, subjects were asked how frequently they purchased each product class, their familiarity with the brands used on a 4-point scale from "not aware of" to "presently using" and whether they were familiar with any publications providing consumer product information. In addition, those subjects who evaluated the brands in the presence of complete or partial objective information were asked whether

or not they used the information and were then probed to discover why they reacted to the objective information as they did.

Results

The data were examined using ANOVA. The hypotheses were tested using the primary dependent variable of brand preference and the secondary dependent variables, the product class specific bipolar scales. The results are summarized below:

Hypothesis 1		Hypothesis 2	
Product Class	Hypothesis Test	Product Class	Hypothesis Test
Bacon	Strong Confirmation	Bacon	Strong lack of support
Hand Dishwashing Detergent	Weak Confirmation	Hand Dishwashing Detergent	Weak Contradiction
D-cell Batteries	Strong Confirmation	D-cell Batteries	Strong lack of Support
Combined Product Class	Confirmation	Combined Product Class	Lack of Support

Note: "Strong confirmation" used when primary and secondary dependent variables supported the hypothesis.
"Weak confirmation" used when secondary dependent variables only supported the hypothesis.
"Strong lack of support" used when neither primary nor secondary dependent variables supported the hypothesis.
"Weak contradiction" used when the primary dependent variables did not support the hypothesis but the secondary dependent variables showed significant perceptual differences between "objectively evaluated" and "non-evaluated" brands. However, the direction of the perceptual shifts was opposite to that hypothesized.

Hence, the data supported the first hypothesis but not the second.

In addition to the quantitative data, approximately 50% of the subjects provided some written comments in response to the questions posed.

To the extent that the open-ended responses could be summarized, the following generalizations seem appropriate:

a. those participants who did not use the objective information in making their decisions tended to respond that they preferred those brands they were familiar with and had tested for themselves;

b. those participants who reacted affirmatively to the objective information provided on some of the available brands, tended to ask for similar information on brands not objectively evaluated;

c. those participants who received objective information on all of the available brands were difficult to categorize. They commented favorably on the various "cost per unit of output" informational materials provided. Their requests for additional information were diverse, including suggestions for indicating the number of slices of bacon per pound, the kindness to the hands of the various brands of hand dishwashing detergent and the resistance to leaking of the batteries; and

d. participants' reaction to the high "true" unit price of bacon suggested that objective information of the type used in this research might not only affect brand preferences but also channel consumer purchases to more economical product classes.

Conclusions

This research involved two potential marketplace modifications. The first, involving the mandatory provision of objective information concerning all available brands, provided the scenario for Hypothesis 1. It was of significance as an input for public policy decisions. The confirmation of Hypothesis 1 indicated that willingness and desire of consumers to avail themselves of such information when it might be available in a convenient form and location. The research would appear to indicate that consumer demands for better information in the market place are justified in that the information enables consumers to make more rational decisions. Inspection suggested that "cost per unit of output" was the major dimension of objective information utilized in the research.

The second modification, involving the discretionary provision of objective information, was examined in Hypothesis 2. The lack of support for this hypothesis, in that subjects showed no significant preference for the evaluated brands, suggest that little or no advantage would accrue to the firm which adopted a policy of providing objective information on its products even if competitors did not do likewise.

Further research could take several forms. One would be a longitudinal study of brand preferences when objective information is provided on an on-going basis. The use of a wider range of product classes and a more diverse group of subjects would provide further insight into the impact of objective information on brand preferences. Other modifications could include different measurement techniques from those used in this study and different modes of presentation of the objective information.

COST BENEFIT ANALYSIS OF CONSUMER PRODUCT SAFETY PROGRAMS

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ABSTRACT*

There has been increased interest in consumer protection in recent years particularly in the area of product safety. While the necessity for consumer protection is apparent, the cost of such protection should also be considered. Cost is important in the case of mandatory safety standards since decisions are made outside the marketplace. Cost benefit analysis may be used to compare the gains and losses from consumer protection programs and to assist in determining whether such programs are in the public interest. The objectives of this paper were to investigate the role of cost benefit analysis in evaluating consumer product safety standards, and to apply such analysis to an evaluation of flammability standards for children's sleepwear.

The cost of safety standards includes the cost of resources employed in developing and monitoring the standards, and costs incurred by the consumer due to product regulation. Consumer costs include a reduction in product choice, higher price, reduced wear life, and safety maintenance costs. In most instances the safety standard has the same impact as a tax and its burden depends on demand and supply conditions in the marketplace.

The benefits from consumer product safety standards are the reduction in the direct and indirect costs of accidents due to safety standards. The two major factors influencing the accident reduction rate are the degree of protection afforded by the safety standards and the market share of the "safety regulated" product. The direct costs of accidents include property damage, medical costs, legal and administrative costs, and accident investigation costs. The indirect costs are the output losses resulting from accidents and the pain and suffering incurred by the victim and his family. Measurement of output loss takes into consideration valuation of output including services of housewives, treatment of consumption costs and labor force participation and employment rates. In the case of death or permanent disability, output is

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*Full text in The Journal of Consumer Affairs

measured by the present value of future earnings in order to permit a comparison of costs and benefits for the same period of time.

Cost benefit analysis is applied to flammability standards for children's sleepwear. The cost of flammability standards is based on the change in consumer surplus due to the introduction of mandatory flammability standards. The benefits of flammability standards are based on the number of burn injuries and deaths due to sleepwear ignition. The results indicate the degree of protection required to equate costs and benefits in the case of flammability standards. The methodology discussed in this paper may be applied to a variety of consumer product safety programs and should assist in the development of the most cost effective consumer protection programs.

CONSUMER PARTICIPATION IN HEALTH PLANNING: A SELECTIVE REVIEW

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There has recently been a resurgence of interest in consumer participation in health planning precipitated by what is being called a landmark piece of health legislation, The National Health Planning and Resources Development Act (P.L. 93-641). The major purpose of the law, enacted in January, 1975, is to consolidate effective predecessor programs and eliminate ineffective programs which had been developed to manage health resources. These are replaced with a new network of Health Systems Agencies at the local level and health planning agencies at the state level. A major emphasis of the new law is on participation of consumers along with the other segments of the health care system. The intent of the legislation is that consumers hold the balance of power on the new agencies at both the state and local level.

While consumer participation is not a new emphasis in health planning, it has been newly strengthened by P.L. 93-641. A good deal of research has been done to both document and evaluate consumer participation as it has developed since the early 1960's. This paper selectively reviews this research in the context of the new Health Systems Agencies and Health Planning Agencies.

Definitional Issues

Before addressing specific research on consumer participation in health planning, two major definitional questions need to be addressed. First, what is meant in this context by "consumer?" and "provider?" and secondly, what is meant by "consumer participation?" An obvious first reaction to the question, "who is a health care consumer?" is "everyone!" One can simplistically define a health care consumer as a person who receives health care treatment thus covering anyone that visits a physician or other health professional in a clinic, hospital or other health care facility. Similarly, one can define as a provider any person or organization providing health care services.

The essence of the definitional boundaries between consumers and providers are not clear-cut if they are developed in terms of consumption patterns. Rather, a more manageable framework that is in keeping with the intent of recent federal legislation is to distinguish between health consumers and health providers in terms of interest group representation.

While it is true that all citizens are consumers, it does not therefore follow that all consumers represent the "consumer interest." The consumer interest is frequently difficult to identify because consumers are generally more involved in their roles as earners than in their role as consumers (6, 18). According to Nadel, the essence of this dilemma is that "influence requires costs, particularly information costs." In his view, "people will only invest those costs when the return is likely to offset the investment." Since most individuals consume in many different economic sectors but produce only in one, "They will concentrate their influence in the area of their production . . . rather than in their many areas as consumers." Nadel concludes that because of the existence of this dynamic, "producers will have more influence than consumers" (18:240). Applied to the health planning arena, this theory offers an explanation for the continuing provider dominance over consumers on health planning agency boards.

This situation was further aggravated in the early days of federal mandates for citizen participation because little thought was given to specifying eligibility and as a result there were many cases of conflict of interest. Examples are Neighborhood Health Center employees serving as consumer representatives; Neighborhood Health Center board members who had resigned to take jobs they had previously created for themselves; Comprehensive Health Planning boards who had physician's spouses and relatives as members; retired health professionals who had been assigned to consumer slots on the board. Because of this checkered history, it became necessary to define the term consumer in the health care field in terms of what it is not. While it is possible to develop simple definitions for both consumer and provider, it is necessary to be scrupulously specific when defining such terms legislatively in order to rule out by mandate as much potential conflict of interest as possible. Some of the newest legislation mandating consumer participation such as P.L. 93-641, the National Health Planning Resources and Development Act of 1975, and P.L. 93-63, The Special Health Revenue Sharing Act of 1975 have done this. P.L. 93-641, for example, specifies that the composition of the membership of the governing body of the Health Systems Agency (HSA) and any executive committee should meet a number of very detailed requirements including the following:

> A majority (but not more than 60 per centum of the members) shall be residents of the health service area served by the entity who are consumers of health care and who are not (nor within the twelve months preceding appointment been) providers of health care and who are broadly representative of the social, economic, linguistic, and racial populations, geographic areas of the health service area and the major purchasers of health care. (25:10)

The other requirements are designed to insure that a broader spectrum of providers are included on the provider side as well as public officials. The Health Systems Agency's board membership must "include (either through consumer or provider members) public elected officials and other representatives of governmental authorities in the agency's

health service area and representatives of public and private agencies in the area concerned with health." (25:10) The law also details the composition of HSA sub-committees and advisory groups.

A number of assumptions underlie the concept of consumer participation, The Model Cities Program has spelled out these assumptions for the citizen participation component of that program and they are quite generalizable to consumer participation efforts in health.

> —It acknowledges the right of people affected by public program to have access to and influence on the process by which decisions about their lives are made.
>
> —It accepts that many of the best intentioned officials and technicians are often, by their training, experiences, and life-styles, unfamiliar with or even insensitive to the problems and aspirations of model neighborhood residents; therefore, resident ideas and priorities can result in more relevant, sensitive, and effective plans and programs.
>
> —It recognizes that the process of participation makes it possible for those citizens formerly outside the system to learn how it functions and how to make it function in their interest—and that the process makes it possible for residents to strengthen existing skills and to develop the kind of new skills needed for effective citizenship beyond as well as within the Model Cities program. (29)

To more accurately define consumer or citizen participation as a matter of degree, typologies have been developed. The most widely used was developed by Arnstein and includes eight types of citizen participation including manipulation, therapy, informing, consultation, placation, partnership, delegated power and citizen control. (2)

Another typology by the Organization for Social and Technical Innovation for board members goes beyond the simple "provider"-"consumer" dichotomy. OSTI's proposed categories are: planning consumers; community consumers; determiners; minority group consumers; and professional consumers. These help in understanding the problems of accountability, representation and control of health planning agency boards. (21)

Why Have Consumers Been Involved In Health Planning?

Traditionally, the planning professions have been subservient to the dominant economic and political interests and health planning has not been an exception. Both the planning and implementation of health programs have been dominated by the providers of health services, particularly health care professionals and health administrators. More recently, however, there has been a move toward a new planning orientation characterized by a more participatory planning process. The reasons for consumer participation are not new. Some remarks by Thomas Jefferson provide a philosophical basis for consumer participation:

> I know of no safe depository of the ultimate powers of the society but the people themselves, and if we think them not enlightened enough to exercise their control with wholesome discretion, the remedy is not to take it from them but to inform them in their discretion.

The federal programs of the Great Soceity were designed with citizen participation as an important element. Representative of the view at that time, Spiegel wrote:

> Probably no other issue is as vital to the success of solving America's urban crisis than the viable participation of urban residents in planning the neighborhoods and cities in which they live and the social programs which directly affect them. (28)

While as Piven has alerted us, "the widespread advocacy of participation by residents of local communities in public programs by no means reflects agreement regarding the goal of such participation, the forms it should take, or the means for its effectuation," (28:113) there seems to be some consensus on the rationale for the existence of consumer participation. Most of the literature discussing these rationales, however, relates to the earlier social programs of HUD and OEO.

Rationales for consumer participation have included: facilitation of program acceptance, mitigation of active opposition to a program, changing attitudes or behavior of target groups, citizens or consumers, providing a vehicle for citizen/consumer control over agencies that affect their lives; and promoting an alliance of the program with consumer/citizens to secure official acceptance of the program. (28)

As the Cahns have realistically discussed, "citizen participation is a nuisance. It is costly, it is time consuming, it is frustrating; but we cannot dispense with it. . ." Citizen participation in and of itself is valued because it "constitutes an affirmative activity"; it is a "means of mobilizing the resources and energies of the poor"; and it "constitutes a source of special insight of information, of knowledge and experience"—an alternative to the consensus viewpoint. (28)

Silver has outlined the areas of health planning for which "community participation can offer better and more meaningful contributions in the decision making on plans for health services." These include:

- -location and size of the medical care center, or whether there is to be a center at all;
- -whether solo or group practice is desired and which is more feasible;
- -the number and types of physicians needed, or new types of substitute health workers if there are to be such;
- -recruitment procedures for health workers within and without the community;
- -the share of representation in admission policies in training institutions;

-the duration and content of curriculum of various health professional education institutions;
-the employment practices and personnel policies in the service units; and
-the nature of financing and resource allocation. (27)

While most of the rationales for consumer participation in health planning are very pragmatic, couched in terms of improving efficiency and effectiveness, some planners argue for consumer participation as an end in itself as a democratic prodcedure.

One study of consumer participation in health planning in different settings concluded that the primary objective of most consumers on the board and sub-boards of the health planning agency (an agency that by law lacked any final authority of its own) was to contribute to decisions that would help produce a more "rational," "responsible," "equitable" health care system within the planning body's jurisdiction. (11)

A study done for the Bureau of Community Health Services has synthesized the Bureau's purpose and objectives of having consumer planners: (1) to identify and assess the needs of consumers who receive services from (federally funded)[1] health programs; (2) to incorporate the views of beneficiary consumers into planning responsibilities of the areawide health planning agencies; (3) to recommend programs, establish priorities and assist in coordination of services based on expressed needs of beneficiary population of federally funded health programs. (15)

Thus, consumer planners are needed as the intermediary between the federally funded health programs and the new Health Systems Agencies to assure that required plan development[2] recognizes local needs.

Consumer planners are also necessary links between the planning agency and local consumers, especially organized consumer groups. Two major studies done in the early 1970's have examined the internal and external dynamics of consumer participation. One by the Pennsylvania Department of Health examined the identity, attitudes, motivation and quality of participation of a random sample of health consumers and providers involved in three local health planning agencies in the state. (22) The other study was done by the Organization for Social and Technical Innovation for the Department of Health, Education, and

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[1]Parentheses are added by the author to indicate that the Lassiter objectives can be generalized to programs funded by other than federal sources.

[2]P.L. 93-641 requires that each Health Systems Agency publish both a health systems plan (HSP) and an annual implementation plan (AIP) for its area.

Welfare as a part of a larger national study surveying 31 Compreshensive Health Planning Agencies. (21)

Both studies determined that most citizen planners were from the "traditionally influential" higher socioeconomic classes—middle class, middle aged and rich. Pennsylvania found the political affiliation was evenly mixed, and OSTI determined the boards were dominated by the voluntary health planning organizations. Further, CHP (b) boards were further found to have been ineffective in providing representation from the "previously unheard" groups, minorities and the poor.

Consumers involved in health planning see it as a way of "doing something for the community" and are "in the habit of accepting community involvement." Providers, on the other hand, are generally involved because of an interest in "improvement of health and welfare conditions" and because of the "educational background and general background." (22)

The majority of both consumers and providers had "favorable feelings" about the involvement in health planning of their respective counterparts. Further, consumers and providers were usually in agreement on the goals of their health planning efforts and the process of their efforts. (22)

Attitudinal differences between "consumers" and "providers" were identified by OSTI. Providers see themselves as "technical experts" and consumers as serving to "furnish information on health needs." Consumers see themselves as "representatives of particular constituencies" and see providers as "protecting the status quo." (21)

Actual involvement in comprehensive health planning activities was examined by Pennsylvania. Most of the CHP work, done through committees, involved "reviewing and commenting on proposals, participating in discussions and organizational activites." A large majority attend meetings regularly and spend at least several hours or less a month on health planning work. Despite the few hours involved, the time requirement was reported as the "greatest personal handicap" for both providers and consumers. A second handicap for consumers was "lack of knowledge about health." After examining internal relations in the planning agency between the consumers and providers, the investigators found that consumers and providers were seldom polarized over the issues and that the two areas generating the most discussion were proposal review and internal agency structural problems. Disagreements, most frequently related to specific health issues and the programs necessitated by these issues, were settled in the main by "extensive discussion and majority vote." (22)

The Pennsylvania Study found that voluntary involvement in CHP was better explained by the respondents' value system than by socioeconomic characteristics. Further, while there are few differences between the "general attitudes" of consumers and providers, "providers tend to become increasingly more involved than consumers." The study characterzied the highly involved respondents, particularly highly involved consumers in the following manner:

> They feel they know more about the CHP law than the less involved; they are more committed to specific CHP goals, they feel they have more to say in committee decisions; they feel that their presence in committee meetings is important to their committee; they feel they understand local issues to a great or very great extent; they take part in discussions more; and they feel that participation of both consumers and providers is worthwhile. More of them feel that they represent outside groups or agencies, and they are more inclined than the less involved respondents to get together between meetings. (22)

As might be expected, the highly involved in terms of committee assignment are more concerned than the less involved "that change in the organization of health services is urgent" and this includes change nationally, regionally and locally.

How Have Consumers Been Involved in Health Planning?

In the early part of this century the major opportunity for consumer participation in health planning was to serve on the hospital board because at that time the hospital made all the decisions now considered to be in the health planning realm. There was no umbrella planning of any sort. The consumers who served on the board were usually drawn from the community leadership and at that time the major interest of the board was the day-to-day management of the hospital. Recall that at that time most care was paid for by the patient directly and that additional operating funds were raised through philanthropy in "the hospital drive."

In the late 1930's, however, some metropolitan hospitals recognized the dangers of duplication and excess as well as the value of joint efforts, e.g., laundry. In response, a number of voluntary bodies were formed called Hospital Review and Planning Councils. Many were very successful in developing and implementing health plans in the area for which they were designed. However, success in this sphere was directly related to the Councils' control over philanthropic funds. Their financial base was their source of power and authority. This type of planning has been criticized as being elitist—big hospitals and big money plan <u>for</u> and not <u>with</u> the community. In the early '60's some cities including New York City and Pittsburgh brought these Councils under government sponsorship with the focus still institutional planning and citizen involvement still elitist. This coincided with the first Federal involvement to support local health planning efforts. In 1961, a program was initiated under Section 318 of the Public Health Service Act to provide financial assistance to hospital facilities planning agencies which worked closely with the state Hill Burton planning agencies.

In 1966 because of the success of the regional planning approach, Congress passed the Partnership for Health Act (P.L. 89-749) which

created a new Section 314(b) of the Public Health Service Act authorizing federal assistance for areawide comprehensive health planning. By 1974 over 200 "b" agencies were established and most of these were nonprofit corporations. They were designed to bring a local area's provider and consumer interests together in order to plan for the organization and development of health programs.

However, these agencies lacked the "clout" to implement their plans. While they had "review and comment" responsibilities on some uses of federal funds, they had no power to institutionalize their plans under Comprehensive Health Planning (CHP). The emphasis was on the process of planning and not on plan implementation.

CHP "b" agencies were mandated to have a consumer majority board, at least 51%, and it was the function of the board to formulate policy. One study of CHP agencies examined the issue of consumer representation, and found that "there is much less difference between (b) agency usage of the terms 'consumers' and 'providers' than is frequently assumed." The study points out examples of the confusing terminology:

> ". . . 'Consumer' lists often include professionals such as retired physicians, administrators of homes for the aged and directors of social service departments. 'Provider' lists occasionally include occupations such as engineers and poverty program workers. The latter, categorized in one agency as a provider might well have been listed as a 'consumer' elsewhere. Our interviews frequently yielded statements to the effect that 'there is no difference between consumers and providers.'" (21)

Consumer participation in health planning is only one avenue for involving consumers in shaping the health system. Channels for relating the consumer planners to other consumer health activities is necessary so that they truly represent a constituency of consumers, and are not simply planning on the basis of their own individual ideas. Many health delivery agencies are now required to have consumer participation by law including the PHS funded community health centers and the similarly funded community mental health centers, family planning services projects and PHS certified health maintenance organizations. Other health agencies that have had no requirement for consumer participation but that have moved to involve consumers in at least a limited manner have been the Regional Medical Programs and the National Health Service Corps. At the other end of the spectrum, however, are the professional Standards Review Organizations (PSRO's), entities established under Federal law in over 200 locations across the country for the purpose of monitoring and controlling patient utilization of government funded medical services, have no requirement for and no inclination toward consumer participation. (8)

What Has Been the Effect of Consumer Participation on Health Planning?

The increased role for consumers in health planning has had a number of effects. One of the effects feared most in the developmental stages was increased conflict and disruption between planning board consumer and provider factions. As has been discussed by Hunt, "the decision to involve citizens in health decision-making has the potential for creating conflict, confusion and chaos for already overburdened health professionals and an already overtaxed health-delivery system." (12)

In 1969, the National Center for Health Services Research initiated a contract to study the relations among health care providers and consumer representatives associated with neighborhood comprehensive health care centers. While the study is not on health planning agencies, the findings relative to board dynamics are the best currently available. (5) Two of the most interesting findings are: First, actual conflict among center participants was in centers where a consumer group had "partial power through advisory roles and informal channels". In the view of the investigators, this was due to the fact that "the uncertainty or insecurity in their power position apparently led to increased demands by consumer representatives and greater confusion in the definition of issues and claims." Centers with clear-cut dominance of either providers or consumers appear to have less conflict. Thus, it would seem that the major precipitator of conflict is not which faction is dominant but whether one faction is dominant. (5)

Second, the health center issues of concern to participants have several characterisitics which argue against the development of a structured set of issues descriptive of conflict in centers: (1) The issues that are manifested tend to "attract" conflict based on other disagreements; (2) A given issue or position on it does not have the same implication in all centers; (3) Although many issues do reflect basic issues, these concerns are not universally present or equally forceful across all centers.

On the role of center issues, jurisdiction, objectives and authority structures on conflict, the study found:

1. Group relations may be more important contributors "to conflict than the content of the specific issue itself."
2. The party responsible for the earliest activity preparatory to acquiring funds for a health center will probably achieve predominance in the authority structure of the center.
3. Dispute over authority may not be a negative factor and may, in fact, be desirable in strengthening the organization; the absence of dispute over authority is not

necessarily a desirable situation.

4. Demands for an increased consumer voice in decision-making are more likely to be in the form of a stepwise progression, as from one rung, than to be demands for massive and sudden change from the structure currently employed. (5)

In addressing implications for policy, the researchers focused on the goal of achieving citizen participation and suggested three critical measures of citizen participation that should be the most useful to both funding agencies and participants:

> First, to what extent do consumer representatives agree in their perception of their present status and their desires for taking one or more steps upward?
>
> Second, to what extent is there consensus among all participants on the present and desired roles of consumer representatives?
>
> Third, to what extent is consumer representation and power formally established, and to what extent does it depend on informal and therefore less secure or permanent arrangements, such as a key provider personality who advocates a consumer role greater than formal arrangements imply? (5)

Other potential effects of consumer participation in health planning are in the areas of accountability and citizen control. Two recent studies funded under HEW contracts had addressed these issues. As part of a larger study surveying Comprehensive Health Planning Agencies, The Organization for Social and Technical Innovation also addressed these issues in the context of the Comprehensive Health Planning agency boards. (21)

The two phase study first detailed the operations and historical developments of agencies and secondly addressed policy issues. The specific policy issues addressed included: (1) How may CHP agencies extend and improve the kinds of activities they now carry out? (2) How can all (b) agencies acquire the best characteristics of "multiple activity agencies"? (c) If (b) agencies were to become regulatory agents, what policies would support and facilitate their regulatory role? To study the specific issues of accountability and control they focused on CHP boards, the policy making bodies of the agencies.

The OSTI study found that the consumer majority on CHP boards range from 52% to 66% but they also determined that the consumer majority was "more illusory than real." OSTI has identified some of the reasons: a faction among "consumers" siding with "providers"; failure of "consumers" to attend meetings, inexperience on the part of a small subgroup of consumers; those who enter (b) agency boards as "providers" tend to enter as formal representatives of an organization and tend to be seen as "voluntary" or "avocational" in their roles in CHP.

Rand was commissioned to do a study in late 1972 by the Secretary of DHEW who had set goals for consumer participation "to devolve power to the citizens, to reduce alienation and to improve program effectiveness." The study sought to review prior experience and research concerning various forms of citizen participation, and to derive from them information that would assist DHEW in drafting guidelines and model by-laws for citizen participation in specific DHEW programs. (31)

Two of the issues studied by Rand were whether the organizational form of citizen participation has an effect on these goals and what specifically determines the success of a citizen participation organization. Rand used the existing literature and a checklist methodology to systematically synthesize the literature.

The effect of consumer participation per se has been most extensively studied in the context of the Community Action Agencies of the War on Poverty and the HUD funded Model Cities Agencies. Most of these studies focus on the role of the poor as the major consumer constituency of these poverty agencies. (29)

A study of an economic opportunity board found that a much higher proportion of poverty representatives attended meetings than did the community or public representatives. (32) Despite this, it was found that of the community and public representatives who did attend board meeetings, a higher proportion participated actively in board discussions and contributed twice as many "acts" as the poverty group. However, of the acts contributed by both poverty and public representatives, more than half involved substantive program issues while only a third of the acts community representatives had submitted were related to program issues with the remainder being related to agency budget and personnel issues.

Rand concluded that the organizational forms of citizen participation can and do have an impact on the conduct of local public activities and services and that stronger boards have more impact but that advisory boards can also be very effective. Thus citizen organizations do meet the DHEW goal of devolving power to the local citizenry.

Rand found that: "Citizen participation does not promise to change the general level of political alienation in our society, regardless of the organizational form of the participation." (31)

The researchers concluded that "citizen participation increases citizen influence, and increases it in such a way that it does not adversely affect program effectiveness." Also "boards in the aggregate give citizens more influence, and they may have a more positive impact on program effectiveness than do committees."

On the "correlates of successful citizen participation," Rand researchers determined that three features were of primary importance in developing power: meaningful influence over the budget, investigation of complaints, and staff responsible to the citizen participant

organization. (31) Those features that were not related were: "sign off authority, the geographic level of the organization, and whether the organization is funded directly by the federal government or through state and local agencies." (31)

Cost effectiveness analysis has been used as another means of evaluating consumer participation in health planning. In 1973 the Department of Health, Education, and Welfare issued a request for proposal (RFP) for the performance of "A Study and Development of Alternative Models for Consumer Participation." In the cost effectiveness analysis portion, Lassiter and Company analyzed three consumer models: the Consumer Education Cadre, the Consumer Advocacy Office and Consumer Involvement in Planning. For the purposes of this paper, only the results for the third analysis will be discussed.

The objective for Consumer Involvement in Planning component used was "to involve consumers of local federally funded programs in the planning process that occurs at the area wide level." Three more specific objectives were also used: to involve consumers in federally funded health programs in the identification and assessment of needs of their locality; to incorporate the views and recommendations of consumers of federally funded health programs into the plans of the areawide health planning agencies; to establish priorities to develop programs and organize resources in accordance with needs of the consumers of federally funded health programs. (15)

The criteria of effectiveness, given the objectives used by Lassiter for Consumer Involvement in Health Planning included: number and percentage of beneficiaries of federally funded health programs involved in the planning process; number of local consumers indirectly involved in the planning process (community meetings, forums, etc.); number of priorities which reflect the needs assessed by local consumers; number of program plans which reflect the needs assessed by local consumers; number of consumers involved in the planning process who demonstrate increase in knowledge level; number of program plans developed at the local level; number of plans which demonstrate identification and organization of resources in response to priorities; number of health plans which reflect the needs of the consumer population; and number of health resources identified to meet the needs of the consumer population. The authors note that effectiveness measures rely heavily on qualitative assessment rather than solely upon quantification. "A count of 'plans developed' is insignificant unless the plans correspond to needs and priorities identified by the consumer planners." (15)

Cost estimates of "Consumer Involvement in Planning" proved to be minimal especially in comparison to the costs for both the Consumer Education Cadre and Consumer Advocacy Office. Hypothetical budgets for those models were approximately $35,000 and $32,000 a year respectively. Consumer Involvement in Planning was less costly because there was "no requirement" recommended for salaries, space and equipment for the Consumer Planners. The Lassiter study recommended "that Consumer Planners receive direct and indirect expenses related to their involvement in the

areawide health planning program." They recommended that such budgeted costs include: travel, child care fees, conference costs, training and technical assistance, and compensation for time lost from work, an estimated $500 for each consumer planner. (15)

Non-monetary costs of the Consumer Involvement in Planning Model would include: units of time spent by the Consumer Planners and units of time spent by the staff of the areawide health planning agency engaged in training and providing technical assistance to the consumer planners. In most cases these units of time can be estimated in dollar costs and added to the budget estimate of $500 per consumer planner. (15)

The study also presented a means to determine the point at which a consumer mechanism reaches its stated goals. Lassiter developed the "Consumer Participation Top-Out Theory." This theory is borrowed from a business concept related to product development. "In the business sector a product goes through a growth phase and is said to reach its top-out—its maximum level of saturation as determined by sales—after which it goes into a post top-out stage whereby sales level off, decline or perhaps increase (if the product or sales approach is modified)." They concluded that objective criteria can be identified and used by program administrators "to provide information necessary to decisions that are made relative to consumer mechanisms." The researchers identified seven phases of development with 56 characteristic traits identified as representative indicators of the levels in which consumer mechanisms function. The phases are: growth, transition toward top-out, transition toward decline; top-out, post top-out upward phase, post top-out routine, and post top-out decline.

An application of the top-out theory was conducted with a sample of consumer organizations and formulated specific findings:

1. Status of Federally Funded Consumer Mechanism: 42% of the federally funded consumer modes studied had reached Top-Out and are now in the Post Top-Out Routine Phase; 33% of the federally funded modes studied were in the Transition-Toward Top-Out Phase; 25% of the federally funded consumer modes studied were in the Transition Toward Decline Phase.

2. Characteristic-traits identified, consistently, as having major significance to the attainment of Top-Out, were reported to be effective delineation of roles; effective participation of members; significant rapport between consumers and program administration; effective training and technical assistance of members; understanding of program operations; continued leadership of the consumer organization; clear definition of goals.

3. Relationship between the Consumer Typology and the Attainment of Top-Out, using the Consumer Participation Top-Out model: A higher percentage of integrative consumer modes showed that the objectives of integrative consumer mechanisms were more specific than those of marginal and interfunctional modes.

4. Goal Alignment between Consumer Mechanism and Affiliated Program Operations; Comparison of program goals and goals of the consumer mechanisms indicated that consumer organization often functions without having any significant impact on the program to which they are related particularly, if the goals of each are not aligned. (15)

Action research is being used increasingly by consumer groups who have found it to be necessary to begin to answer their own questions about planning the health delivery system. The major example of this type of study is the Public Citizen's Health Research Group's The $8 Billion Hospital Bed Overrun: A Consumer's Guide to Stopping Wasteful Construction completed in 1975. While not rigorous research in the traditional sense, the Health Research Group report examined the national problem of overbedding and presented it in a very readable format. (7)

Another piece of action research was done under the auspices of the Capitol Area Comprehensive Planning Association, Lansing, Michigan, in 1973. (3) In the first phase, 144 CHCPA members were interviewed including 52 consumers and 54 providers which represents 72% of the total memberships for the consumers and 75% of the providers. A questionnaire was used to document "consumer difficulties" in terms of both psychological and behavioral characteristics.

Several conclusions were drawn by the researchers Bishop and Beck as a result of the survey:

> First, "consumer members are drawn from a wide variety of socio-economic backgrounds" and as a result may enter their membership with lower socio-economic status, less general formal education, and less specific health related information than their provider counterparts;
>
> Second, that while consumers are formally selected to represent an organized consumer group, the group seldom effectively acts as a supportive constituency for the consumer members.
>
> Third, consumer members did not overcome their inherent problems and were less significantly informed on comprehensive health planning than were provider members.
>
> Fourth, as a group, consumers were awarded only the theoretical task of "representing community opinion" and not included in the specific tasks that would indicate that the role had been operationalized.
>
> Fifth, if the 51% membership mandate indicated a Congressional desire for consumer members to exercise significant amounts of control, then that desire was not met. Consumers in fact were less powerful than either providers or agency staff. (3)

Moreover, if the 51% mandate indicated a congressional desire for consumers to be a majority, this desire was also not met. Providers

in fact, made up the majority of the attendance at agency meetings. In phase two the consumer group "learned by doing" to overcome the participation problem.

The research design involved documentation of program activities and evaluation of outcomes. The Consumer Support Group (CSG) was designed in the format of an experimental approach "so the effects of the program on those who participated in it (experimental group) could be compared to those consumers who volunteered but did not participate." (3) In view of the researchers, "The creation and continuation of the CSG, unlike 'consumer training programs' would alter the participant's structural position and simultaneously attack the traditional problems of inadequate information and perceived legitimacy." (3:43)

The researchers hypothesized that "The CSG could become a strong relevant organization backing an individual representative and therefore could provide him with a more effective structural position to the extent that health planning effected such an organization." (3:44)

Results have been enumerated by the authors:

> After participation in the CSG experimental group, members had a significantly higher attendance rate than control group members. They also spoke and were spoken to more often than control members, as for the quality of participation, experimental group members were assigned three specific roles within their committees by significantly more fellow committee members than control group members were. The experimental group also reported more informal contacts with other agency members and were conversely contacted more often by them. Thus the major objectives of the CSG in terms of increased behavior participation were met.
>
> A number of intervening factors were also increased for the experimental group. They were significantly higher on all the information categories tested. The experimental group also increased their legitimacy in being accepted by their committees to a greater extent than control group members were. (3:122)

Two major recommendations made by the authors were:

1. Mechanisms should be developed to alter the structural relationship between the groups involved in comprehensive health planning in order to make these relationships more consistent with the legislative intent of the partnership for health amendment to Public Law 89-749, Section 341.
2. Given community representatives with less information, legitimacy, power, and behavioral participation than other groups in an organization in which they have a valid role, a Consumer Support Group should be formed to allow community representatives the opportunity to overcome these deficits. (3)

Priority Research Areas

The major problems facing policymakers in the health planning field are the rapid increase in the cost of health care; consumer dissatisfaction with health service delivery; and the maldistribution of health resources. Research on consumer participation within the context of these policy questions should receive the highest priority. Establishment of the HSAs has been one of several preliminary steps to the establishment of a National Health Insurance system in the United States. One of the largest roadblocks to enactment of the necessary legislation for Comprehensive National Health Insurance has been the widely expressed fear of repeating the history of cost escalation that accompanied the enactment of Medicare legislation. Consumer participation in Health Systems Agencies is designed by Congress with the hope of developing a cost and quality sensitive regulatory watchdog at the local level. Research needs to be done to determine what steps can be taken to make this hope a reality.

Too much research to date has focused on a patronizing concept of "board training" emphasizing the process of board functioning rather than the difficult policy decisions to be made. (3) Studies of Board-Staff relations suggest that the problems experienced are unique to the health planning boards of similar community boards. Business policy literature on board of directors dynamics indicates that corporate boards have experienced similar problems and have been evolving solutions apart from the health planning milieu that should be examined and tested for feasibility. (14)

Political scientists have also developed methodologies for evaluating the effect of participation in community decision making such as the recent work by Hansen. (10) Extensions and applications of this type have been non-existent in the health planning literature up to now. Another possible area of research would be on determining the viability of the public utility model for regulation of the health care system.

Recent applications relating to consumer preferences and consumer behavior theories in the health area such as those by Acito on HMO's need extensions in the health planning context. Advances in research to determine consumer utilities have also been made recently and need further evaluation especially as potential tools for consumer planners. (16, 17)

A related concept to consumer participation in the Indian Health Service is the use of consumer evaluators who are funded through grants and contracts. Indian Health Service Programs do not have consumer participation through the Board of Directors and are using this as an alternative. A comparative analysis of this method for consumer participation would seem to be valuable.

The other major area in need of research is the selection process used for consumers on the Board. Such questions need to be answered as whether the quality and degree of representativeness of consumer board members are effected by the method of selection, i.e., appointment

election, special interest group appointment, self-selection, and whether or not board members are reimbursed.

Conclusion

While there has been a plethora of think pieces, research reports and reviews on consumer participation in health planning and other areas, their main value is in their documentation of the phenomena. Most of the research reports suffer from two related weaknesses, poor research methodology and subsequently very limited distribution in any form to either policy makers, other researchers or consumers. Many questions need to be asked about consumer participation in health planning and of highest priority should be those aimed at improving the effectivenss of the new generation of consumer planners now being selected for the Health Systems Agencies.

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AN INVESTIGATION OF OBJECTIVE RELATIONSHIPS BETWEEN PRODUCT PRICE AND PRODUCT QUALITY

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Abstract*

Purpose

A variety of research investigations have provided empirical support for the proposition that consumers subjectively perceive a direct relation between price and product quality. However, of equal if not greater significance is the question of whether there exists an objective price-quality relation among competing products available on this latter question. More specifically, two key research questions are investigated: (1) To what extent is there an objective relation between price and product quality among directly competitive products (brands) within a variety of major product categories; and (2) To what extent can consumers use the general decision rule that price has a direct relation to objectively-defined product quality.

Procedure

Data for the investigation were taken from published product tests and ratings of two widely distributed periodicals, Consumer Reports and Consumers Research Magazine. Using these periodicals for the three year period 1972-74, a total of 135 separate test results for a variety of competitive groups was identified for analysis. To test the relation between price and product quality for each of these 135 product groups, several analyses were performed: (1) non-parametric rank order correlations were calculated for ordinal rankings of average price and product quality for each competitive product group; (2) mean prices of products ranking in the upper and lower quartiles of the product quality were calculated to identify the degree to which a practically observable price-quality relation exists within competitive product groups; and (3) the combined results of the preceding analyses were utilized to identify five levels of price-quality relations (ranging from strongly positive to strongly negative relations), based on a criterion related to statistical significance of the derived relations.

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*Full text in The Journal of Consumer Affairs.

Results

The overall findings of the investigation are notable: (1) for 30% of the competitive product groups examined, a strongly positive price-quality relation was observed, and 21% appeared to have modestly positive relations; (2) in 35% of the groups, no observable or statistically significant price-quality relation was evident; and (3) 14% of the ratings indicated a negative relation between price and product quality. Another major inference from the data is that broadly-defined product categories may differ dramatically in number of positive price-quality relations. For instance, 80% of the sports equipment ratings indicated a positive price-quality relation, while only 42% of the large appliance ratings indicated such a positive relation. And finally, the data clearly identify specific competitive product groups by their degree of objective price-quality relations.

Implications

The results of this investigation offer modest support for the existence of a direct price-quality relation: a total of 51% of the 135 product ratings appeared to present what could be considered a positive relation between price and product quality. However, the percentage of positive price-quality relations varies substantially from one product category to another, and this may become an important consideration in analyzing price and product quality relationships.

Equally clear from this investigation is the fact that the existence of an objective and direct price-quality relation cannot be generalized across product groups. Though only 14% of the relations were actually negative, a substantial 35% of the product groups had relatively random patterns of price-quality variation. Based on these results, a consumer following the decision rule of price equals quality would perhaps make "satisfying" decisions in approximately half of his choices. Many unsatisfactory choices would also be made, though the worst choices might occur in roughly 10-20% of the consumer's price-oriented decisions.

A further implication of this study is that product testing services might increase their value to consumers by including a detailed analysis of price-quality relations in their reports on product testing. Some new approaches to such presentations are now being used by Consumer Reports, which has recently presented numerical scores on overall product quality for some product ratings. In cases where product quality can be defined on an interval or ratio scale, more definitive price-quality relations may be quantitatively determined.

Finally, this research has provided a significant addition to previous investigations of price-quality relations. First, it has added to and extended the findings of other explorations on objective price-quality relations. Second, it points to the importance of considering not only consumers' subjective judgments of price-quality relations, but also whether such judgments have an objective foundation.

ETHICS: A COST BENEFIT ANALYSIS

The Reverend Carlton O. Eaton
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At income tax time in our church we have two accountants I have come to know quite well over the years. When I took down the data for income tax preparation, I decided to try this subject on them: Ethics: A Cost Benefit Analysis.

One said, "I'm not sure what that means." The other reached in his desk and handed me an article on the professional ethics of public accounting.

But for our purpose, when we talk about Ethics: A Cost Benefit Analysis we are talking about a system of conduct and how it serves you.

So I ask myself, and I ask you, what IS our system of conduct and how is it serving us? On what basis do we decide what we are supposed to do? Then, a further question—do we stick with our decision or do we drift off into a land of compromise and do that which is easiest and pays the highest immediate dividends?

Some questions that demand answers on the basis of our system of ethics or of values are:

1. Is is alright for me to write in the margin of a book from the public library and thus give subsequent readers the benefit of my feelings and study, or should I refrain on the basis of sanctity of public property?
2. As a young person from a large and poverty stricken family, should I continue with my schooling or should I drop out and help support my parents and brothers and sisters? If I stay in school I will make more money later; if I drop out, the family will eat better now.
3. Should I litter the roadside with beer cans so I can keep my car clean and not upset my wife with my drinking while driving? Or should I wait until I get home, put the cans in the garbage, worry my wife and be subject to her disapproval?

At a boxing tournament on an Army base during World War II, a soldier, victim of amnesia, was led around the ring between matches in the hope that someone would recognize him. Time and again he stood and gazed out on the unresponsive crowd until, in frustration near to despair, he cried, "Somebody tell me who I am!" And perhaps it is right

here that we need to begin if we are going to be able to deal with Ethics: A Cost Benefit Analysis.

Dr. H. H. Horn, professor of Education, New York University, has analyzed man a little and talked about the values he holds.

> Because man has a body, one of the basic values man has is health.
>
> Because his acts have significance for his own personality, another basic value is character.
>
> Because his acts have significance for others, a basic value is social justice.
>
> Because he needs to earn a living, in order to survive, and not be a parasite, another basic value is some sort of saleable skill.
>
> Because man is able to respond to beauty, a basic value is the production and enjoyment of works of art.
>
> Because his emotional life finds its completion in union with another of the opposite sex, a basic value is love.
>
> Because he needs intelligence to guide his activities, another basic value is knowledge.
>
> Because man can think beyond the limits of his knowledge and so develops a speculative interest, another basic value is philosophy.
>
> Because man has thoughts and feelings in relation to the whole cosmos, of which he is a part, another basic value is religion.
>
> So here they are: Health, character, social justice, skill, art, love, knowledge, philosophy and religion. These then, are some of the values that help man decide who he is and what he is to do!

This sounds fine until we start living our lives and putting our values into practice. Then, too often, we end up with an ideal and a real system, in conflict.

Years ago I was employed in the assembly plant of a large motor car company in the standards department which was sort of a buffer between labor and management.

If I did a time study on some man working on the assembly line, where perhaps, he was putting "trim" on the right hand side of the cars, one after another, I needed to establish good rapport with this man. Why? He could work at a normal pace or he could do a slow down. In the latter case my time study would be less than valuable.

Further, I noticed that in the constant conflict between "production" and "quality control," "production" was the queen to be served

and "quality control" was a lesser member of the high court of profit. After all the dealer could pick up on the quality as he dealt with the purchaser.

At the assembly plant a car came off the end of the assembly line every 90 seconds. Incidentally, I decided to wait until the car had been in production for several months before I bought one because it takes about that long to learn how to put a new model together.

Somehow or other we have developed the notion that economic science and moral discipline are two orders so distinct and alien that the former (economic science) in no way depends on the latter (moral discipline). At this point I have growing concern (whether we are talking about labor or management). The old notion that "a day's work should be rewarded with a day's pay" is just as valid when we reverse it and insist that "a day's pay should be rewarded with a day's work." We would suggest that any other equity formula will ultimately destroy us.

A man may be able to identify his value system, and still not identify himself. You and I have real meaning only as we are identified with God. In answer to the question "Who Are You? Who Am I?" we need to recognize that you are a child of God and I am a child of God.

"MAN HAS ULTIMATE IDENTITY ONLY AS HE IS RELATED TO GOD!"

"MAN HAS ULTIMATE PURPOSE ONLY AS HE IS OBEDIENT TO GOD!"

Does that sound like preaching? I hope not. I would prefer it to sound like good pragmatic practice, the kind of practice that will get us from where we are to where we want to go.

We live in a rough and tumble "eye for an eye" and "tooth for a tooth" world which we cannot totally understand or satisfactorily explain. Yet, at the same time our hearts long to love and be loved and be "caught up" in a project or an ideal to which we can dedicate ourselves totally.

You remember the play by Robert Bolt titled "A Man for All Seasons." Listed 14 years ato in the New York "Crama Critics Circle" Awards as "Best Foreign Play," it presents the problems of a man with convictions——the 15th century English Chancellor, Sir Thomas Moore, torn between loyalty to his kind and country and his devotion to God. As a convinced Catholic, Sir Thomas Moore found himself in an impossible and intolerable position when his King, Henry VIII, broke with Rome and married Anne Boleyn. Where would his loyalties lie? Would he be true to himself and his devotion to god, or would he be true to his king and his country? He chose the former (being true to himself and his devotion to God) and eventually it cost him his head. So much for the problems of a man with convictions. Yet perhaps it is at the very crossroads that America and free enterprise and all the other benefits we enjoy, stands or falls.

Recently I was talking to a couple who are having their marital problems and conversations revealed that neither had the conviction that they were really valuable or necessary to their mate. Out of these conversations came the notion that if we are to have full, vibrant, satisfying lives, we must be ready to reveal and expose our dependency. It is sometimes costly to do this because none of us are overly anxious to show our weaknesses or inadequacies. But the benefits can be fantastic because in the exposure of our dependency and inadequacies, our mates discover and are reassured that we really find completion only in them.

For years and years we have thought or toyed with the idea that we could "bring in the kingdom" by educating people. But it doesn't seem to be working.

Will Durant once wrote:

> Human knowledge has become unmanageably vast. Every science has begotten a dozen more, each subtler than the rest. The telescope reveals stars and systems beyond the mind of man to number or to name. Geology speaks in terms of millions of years, while, once, man thought in terms of thousands. Physics has discovered a universe in the atom. Biology has found a microcosm in the cell, and Psychology in every dream . . . Anthropology has reconstructed the unsuspected antiquity of man. Archeology has unearthed buried cities and forgotten states. Inventions have complicated life and war. (3)

Human knowledge has become too great for the human mind and yet our "interpersonal relationships" continue to destroy us. Somehow we cannot put together all we know in terms of our peace and happiness and perhaps we cannot put together all we know in time for survival—what a frightening thought! In the past we have though of survival in terms of "fall out" shelters stored with food and medical supplies, and even a hidden stock of money. Now we have despaired of all this as being of much help. How long has it been since we took "air raid shelters" seriously?

However, there is something that can be taken seriously. A story told hundreds of years ago by a man named Jesus tried to illustrate a fundamental attitude of fulfillment and survival. Jesus said,

> A man going on a trip from Jerusalem to Jericho was attacked by bandits. They stripped him of his clothes and money and beat him up and left him lying half dead beside the road. By chance a second traveler came along and when he saw the man lying there, he crossed to the other side of the road and passed him by. A third traveler walked over and looked at him lying there, but then went on. But a fourth traveler came along and when he saw him, he felt deep pity. Kneeling beside him, he soothed his wounds with medicine and bandaged them. Then he put the man on his donkey and walked along beside him

till they came to an inn, where he nursed him through the night. The next day he handed the innkeeper two twenty dollar bills and told him to take care of the man. "If his bill runs higher than that," he said, "I'll pay the difference the next time I am here."

In the hills of Vermont, where words are not usually wasted and emotions not unnecessarily expressed, an old couple in their 80's rocked silently one night on the porch, as had been their custom all the years of their marriage. Painfully, speech finally burst from the man. "Sometimes, Mandy," he muttered, "I love you so much it's almost more than I can do, not to tell you."

There are so many things we regularly tell each other and they are not all good or even necessary. For example: "You never pick up your things." "You never make the children mind." "You won't start supper until I get home . . . if I worked till midnight." "You would always rather break something than read the instructions." "You left the butter out four times this week. . . , and, of course, it's melted." "You never turn off the faucets. . . and they drip, drip, drip!"

If we can repeat these words over and over again, perhaps we'd better repeat the words, "I love you." "I like you." "You're good company." "If I can help you, let me know and I'll try." It is true that to operate this way will cause us to run the risk of being disappointed or hurt. On the other hand, if we elect to operate as hub and center of our own little circle we risk emotional (if not physical) ruin.

This business of being a concerned neighbor, recognizing all men as brothers with common needs and hopes and aspirations is not pious idealism. It is personal fulfillment as well as emotional and physical good health, even survival.

"Sometimes, Mandy, I love you so much it's almost more than I can do, not to tell you."

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AN EVALUATION OF THE ILLINOIS CONSUMER EDUCATION PROGRAM AND STUDENT LEARNING

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The growing interest in and proliferation of articles, graduate research, textbooks, and instructional materials attest to the existence and growing importance of consumer education as a viable content area for public education. The trend of increasing amounts of consumer education occurring in the public school systems indicates the willingness of the education sector to comply with the apparent mandate. However, little in the literature indicates any significant attempts to measure student performance on the concepts and knowledges of consumer education after students have completed a course of instruction.

As early as 1967, the State of Illinois amended the School Code 21-12.1 by passing Senate Bill 977:

> Pupils in the public schools in grades 8 through 12 shall be taught and required to study courses which include instruction in consumer education, including but not necessarily limited to installment purchasing, budgeting, and comparison of prices. The Superintendent of Public Instruction shall devise or approve the consumer education curriculum for grades 10 through 12 and specify the minimum amount of instruction to be devoted thereto.[1]

Since that time, all states have participated in the federal program which provides funds for the development of consumer and homemaking education.

Twenty-eight states presently have a statewide consumer education program in the public schools: Alabama, Arizona, Arkansas, California, Connecticut, Florida, Georgia, Hawaii, Illinois, Indiana, Kentucky, Maine, Minnesota, Montana, Nevada, New Mexico, New York, North Carolina, Ohio, Oklahoma, Oregon, Pennsylvania, South Carolina, Texas, Utah, Vermont, Washington, and Wisconsin. In addition, the states of Alabama, Arizona, Hawaii, Illinois, Kentucky, Louisiana, Nevada, Ohio, Oregon, and Pennsylvania have specified through a resolution or mandate that a course or a competency examination in consumer education is required for graduation from a public high school.[2]

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[1] Illinois General Assembly, Senate Bill 977, 75th General Assembly, Regular Session, 1967-1968.

[2] Task Force on Consumer Education, Consumer Education in the States, (Denver: Education Commission of the States, 1973), pp. 1-10.

Most of the states which have developed consumer education programs have established goals, areas of content and the length of course. In addition, most participating states are making recommendations for methodology and instructional techniques.

A series of issues which remain are questions like how, what, when, by what techniques, and with what preparation are we best able to serve the educational needs of future consumers. These questions and many more are the domain of educational research—research that is founded on the collection of realistic, meaningful data through the use of adequate tests and evaluation instruments.

The first attempt to provide a statewise comprehensive evaluation of public school students in consumer education was carried out in Illinois at the end of the 1975 spring semester. A thorough search indicated that no valid normed or standardized test existed which would reliably measure the students' knowledge in the content areas classified as consumer education. As a result, it was necessary to develop a valid, reliable test instrument.

The Development of a Test Instrument

Because of the broad and complex nature of consumer education, the selection of the content areas to be tested, content validity, was of critical importance. A review of a series of consumer education and general business texts, state consumer education guidelines, and existing tests which have been used in consumer education classes indicated that the content areas in Table 1 generally cover the range of consumer education materials.

Table 1

Content Areas	
Clothing	Housing
Consumer Credit	Insurance
Consumer in the Marketplace	Money Management
Consumer in Society	Recreation
Food	Savings and Investments
Furnishings and Appliances	Taxes
Health Services and Drugs	Transportation

In order to standardize the test, the objective form of examination with multiple-choice questions was chosen for the format of the test because it permits a broader sampling of student's knowledge and so many variations can be applied to a wide variety of topics and a wide range of knowledges and levels of understanding.

The length of time available to administer the test was another major consideration. A multiple-choice test of 55 questions in length

was felt to be comprehensive enough to sample a large amount of student knowledge, yet capable of being administered in one class period. Also two alternative forms of the test were developed to sample students on a pretest/posttest basis, or a test/retest basis, without the possibility of the students improving their scores on the test because of familiarity with the test items.

The questions were divided between the content area with a minimum of three questions per area and a maximum of five questions per area. The criteria used to determine the number of questions sampled in each area were the amount of emphasis given each content area in the various textbooks and the curriculum guides from the various states.

Next, a test outline was developed in the form of behavioral objectives stating the knowledge and the expected manner in which the student was to perform with regard to the knowledge.

With the purpose of the test defined, the time limits set, the test format established, and the test outline formulated in behavioral terms, the next step was the actual construction of the test instruments. A total of 110 items were written, two items written to sample each of the behavioral objectives, in order to permit the construction of two alternative equivalent tests consisting of 55 questions each. All of the test questions were subjected to a series of five tryouts with various student populations in order to ensure that the test items were not ambiguous, had the power to discriminate, and were appropriate for the student population and content areas sampled.

Presentation of the Data

The Test of Consumer Competencies, a 55 item, multiple-choice, cognitive test instrument consisting of two equivalent forms, was administerd to 8,031 Illinois public school students, grades 8 through 12, in 12 school districts from 10 different counties and all six geographical regions of the state. The tests were administered to both students who had completed a course in consumer education and students who had not completed a course in consumer education. A total of 7,683 usable tests, 3,857 Form A and 3,826 Form B, were returned and scored. Of the tests returned, 1,757 students had completed a course in consumer education and 5,926 students had not completed a course in consumer education.

Mean Scores. On Form A, students who had completed a course in consumer education had a mean score of 26.012, with a standard deviation of 7.128, and a reliability coefficient of .795. Students who had not completed a course in consumer education had a mean score of 21.604, with a standard deviation of 6.173, and a reliability coefficient of .747. The combined mean score for all students who had completed Form A was 22.635, with a standard deviation of 6.673, and a reliability coefficient of .733. On Form B, students who had completed a course in consumer education had a mean score of 26.636, with a standard deviation of 7.301, and a reliability coefficient of 8.58. Students who had not

completed a course in consumer education had a mean score of 22.031, with a standard deviation of 6.002, and a reliability coefficient of .687. The combined mean score for all students who completed Form B was 23.059, with a standard deviation of 6.595, and a reliability coefficient of .738.

Growth. Since the test was administered to students in grades 8 through 12, a comparison of mean scores by grade level was formulated. On From A, the growth in mean scores for students who have completed a course in consumer education was from 22.537 for grade 8 to 27.008 for grade 12. The growth in mean scores on form B for equivalent students was from 21.981 for grade 8 students to 27.788 for grade 12 students. On Form A, the growth in mean scores for students who have not completed a course in consumer education was from 19.797 for grade 8 to 25.375 for grade 12 students. The growth in mean scores on Form B for equivalent students was from 19.914 for grade 8 students to 27.098 for grade 12 students. The growth in mean scores as a composite of all Form A tests was from 19.931 for grade 8 students to 26.707 for grade 12 students. The growth in mean scores as a composite of all Form B tests was from 19.965 for grade 8 students to 27.698 for grade 12 students.

Student Performance by Content Area. Table 2 presents a comparison of the percentage of correct responses by students in each of the content areas based upon whether they have had a course in consumer education.

Table 2

Student Performance by Content Area on the TCC

Content Areas	Percentages of Correct Responses by Students in Each Content Area	
	Consumer Education Taken	Consumer Education Not Taken
Clothing	55	45
Consumer Credit	50	41
Consumer in the Marketplace	57	48
Consumer in Society	49	44
Food	37	33
Furnishings and Appliances	53	41
Health Services, Drugs, and Cosmetics	38	31
Housing	44	36
Insurance	43	40
Money Management	51	38
Recreation	54	48
Savings and Investments	38	28
Taxes	38	35
Transportation	51	39

An extremely significant aspect of the data is that only 38% of the students who have completed a course in consumer education correctly answered the questions in the areas of Health Services, Drugs, and Cosmetics, Savings and Investments, and Taxes. Only 37% of the students correctly answered the questions in the content area of Food. Additionally, the largest number of correct responses were in the Individual Consumer in the Marketplace content area where only 59% of the students in this group successfully answered the questions.

Since there were a large number of students tested from a wide representation of school districts, the test scores indicate that, despite having completed a course in consumer education, less than 60% of the students performed adequately in seven content areas of the instrument, less than 50% in three areas, and less than 40% in four areas. A summary of the entire test series as a whole shows that less than 40% of the 7,683 students could successfully answer the questions.

However, another aspect of the data is to look at the scores of the students who have not taken a course in consumer education as pretest scores and to look at the scores of the students who have completed a course in consumer education as posttest scores. A comparison of the data in this manner indicates that the students experienced an average growth in raw score of 8. The area of money management indicated the largest growth with a 13% increase. The areas of insurance and taxes on the other hand indicated only a 3% increase in the number of correct responses.

Conclusions

A series of conclusions was derived from the data collected in the administration of the TCC. The test is valid when used to measure the knowledges outlined in the Illinois Guidelines for Consumer Education, revised edition, 1973. Reliability coefficients for the groups tested ranged from .70 to .86. Both forms of the test are equivalent measuring instruments. Both measure equivalent growth in student mean scores as students progress from one grade level to another. However, the data also clearly indicate that students in the State of Illinois are not mastering all of the key concepts outlined in the Illinois Guidelines for Consumer Education, revised edition, 1973.

ADVERTISERS' SUBSTANTIATION OF CLAIMS TO THE PUBLIC

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Abstract*

Are advertisers willing to substantiate their advertising claims when requested by members of the public? Is it "unfair" for an advertiser to make claims without being able to substantiate those claims at the time they are made?

Results of three studies of requests for substantiation of advertising claims are reviewed. In general, advertisers were unwilling to substantiate their claims to the public. In the third study, a total of 54 letters were sent to 48 companies requesting substantiation of 27 television and 27 magazine advertising claims. The mailing was addressed to the chairman of the board or president of each firm and drew an 83% response.

A total of 10 of the 45 respondents attempted to provide detailed responses to the questions. Most of the respondents were unwilling to answer the questions. Examples of letters sent and received are presented in the paper.

An eight-cell matrix of product information, truth, and deception is shown in Figure 1. The eight cells in Figure 1 might be categorized to be the following types of advertising:

Figure 1

Truth, Deception, and Information in Advertising

			Statements	
			True	False
Informative	Yes	Non-Deceptive	1	2
		Deceptive	3	4
	No	Non-Deceptive	5	6
		Deceptive	7	8

*Full text in The Journal of Consumer Affairs.

Cell	Type of Advertising
1	Ideal Advertising
2,6	Puffery
3,7	Advertising to Children
5	Empty Advertising
4,8	FTC Illegal Advertising

Scanning the history of advertising claims in the United States, a slow, halting movement seems to be occurring in moving the majority of advertising from cells 4 and 8 to cell 5 and eventually to cell 1.

WHAT UNIVERSITY ADVERTISING PROGRAMS ARE DOING IN CONSUMER EDUCATION

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Research Problem and Background

The research reported here investigated the attitudes and approaches taken by university professors of advertising toward incorporating a consumer orientation into their programs. Most programs of advertising study are in the journalism schools, and their stated purposes and activities indicate they exist primarily to impart an industry orientation—that is, to prepare students for obtaining jobs in advertising, journalism, or other communication endeavors.

No criticism of that purpose is intended, nor is any thought implied that these schools might be persuaded to abandon such a purpose—or that they should. Of interest, however, is the extent to which the advertising programs may have recognized a desire or obligation to incorporate a consumer orientation into their programs in conjunction with (not instead of) the advertiser-industry orientation which they quite naturally take.

Method and Procedure

The research was conducted by mailing a survey questionnaire to the chairmen of all college and university journalism units, as listed by the Association for Education in Journalism. As accrediting organization for journalism and advertising programs, the AEJ lists all schools in the United States and Canada, accredited or not, which have journalism programs. The latest list available at the time of the mailing (Fall 1974) was published in an AEJ publication, Journalism Educator, January, 1974, and indicated the existence of 188 journalism units. The questionnaires were addressed to specific directors, 188 in total, as follows:

> Dear Administrator:
>
> As an advertising educator, I am writing to ask a few questions about whether and to what extent your program incorporates consumer-oriented content into its advertising curriculum. I am also contacting a number of other advertising

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This is a report of a research project conducted for the Office of Consumer Affairs, Department of Health, Education and Welfare, under Order No. SA-10198-74, July 24, 1974.

educators, and the responses will be summarized into a report. I will appreciate very much your willingness to respond to this questionnaire and to return it to me in the accompanying stamped, self-addressed envelope. I request that you respond if you have any advertising content at all in your program, even as little as a portion of a course. If I have inadvertently contacted someone who has no advertising content at all, please jot a brief note to that effect and return the questionnaire so that I may straighten my records.

Sincerely,

(name of professor)
Department of Advertising
(name of school)

In answering the following questions, please interpret consumer orientation to refer to curriculum content which takes primarily the consumer viewpoint, using as a starting point the consumer's wants and needs, his reasons for participating in the process of advertising communication, and the goals he hopes to achieve in doing so. This should be contrasted with advertiser orientation, which refers to curriculum focussing primarily on the advertiser viewpoint, using as a starting point the advertiser's goals and reasons for participating in the advertising process. (Curriculum content may of course embody both viewpoints, but in most cases will emphasize one orientation or the other primarily.)

Some of the questions below call for check-marking your choice of answer. Other questions call for a written response. Please respond to all.

A. Your advertising curriculum: (Please check one choice below)

1. has an advertiser orientation, and so do all of its courses, and the consumer viewpoint is given attention nowhere in the program
2. has an advertiser orientation, and so do all of its courses, but the consumer viewpoint is given some attention in at least one course
3. has an advertiser orientation, and so do all of its courses, but the consumer viewpoint is given some attention in all or most courses
4. has an advertiser orientation, but at least one of its courses has a consumer orientation
5. represents a midpoint between a consumer orientation and an advertiser orientation
6. has a consumer orientation, but at least one of its courses has an advertiser orientation
7. has a consumer orientation, and so do all of its courses, but the advertiser viewpoint is given some attention in all or most courses

8. has a consumer orientation, and so do all of its courses, but the advertiser viewpoint is given some attention in at least one course
9. has a consumer orientation, and so do all of its courses, and the advertiser viewpoint is given some attention nowhere in the program.

B. Please state the background reasons which explain why you have the type of curriculum you have indicated in the above question.

C. Please indicate the courses (if any) in your advertising curriculum which have a consumer orientation; briefly describe them.

D. Please indicate the courses (if any) in your advertising curriculum which, while having an advertiser orientation, give some attention to the consumer viewpoint; briefly describe them.

E. Please explain what value (if any) you think courses with a consumer orientation, or courses with an advertiser orientation but with some attention given to the consumer viewpoint, can have for your students.

F. Your advertising curriculum has been changing over the past few years so as to: (please check one choice below)

1. Considerably strengthen its concentration on an advertiser orientation
2. Slightly strengthen its concentration on an advertiser orientation
3. no change
4. slightly strengthen its concentration on a consumer orientation
5. considerably strengthen its concentration on a consumer orientation
6. none of the above

G. Please describe the background of events and reasons which have led to the answer you gave in the above question.

H. In the next few years, you envision that your advertising curriculum will change so as to: (please check one choice below)

1. considerably strengthen its concentration on an advertiser orientation
2. slightly strengthen its concentration on an advertiser orientation
3. no change
4. slightly strengthen its concentration on a consumer orientation
5. considerably strengthen its concentration on a consumer orientation

I. Please describe the anticipated events and reasons which led you to answer as you did in the above question.

In inquiring into the attitudes of advertising professors, the researcher was concerned that some might be hostile to the idea of a consumer orientation and might not care to reveal the feeling toward someone known to espouse consumer interests. Also certain advertising professors might assert that they have a consumer orientation in their programs even though they did not have it as defined in the questionnaire. Advertising people study consumers' lives and personalities and purchasing habits in order to achieve advertisers' goals, and therefore have what should accurately be called an advertiser orientation.

Because these factors could cause problems in interpreting a questionnaire, the researcher decided to use two versions, one stating it was from an advertising professor and the other claiming to be from a consumer professor. The researcher played neither role; he chose two other realy faculty persons to do so.

Results

Sixty-one of the 94 schools returned questionnaires with the "advertiser" version, and 56 of the 94 sent the "consumer" version. Twenty respondents in each group stated they had no advertising content; the numbers actually answering the questionnaire thus were 41 for the "advertiser" version and 36 for the "consumer" version.

The percentage of all respondents indicating their schools had advertising content (77 of 117) was 66. A reasonable guess about the schools not responding would be that no more than a similar proportion and likely fewer had advertising content. Thus the number of schools having advertising content and failing to respond to the questionnaire was probably 47 (66% of 71) or fewer. The 77 schools responding here thus comprised at least 62% of an estimated 124 (77 + 47) or fewer having advertising content.

Question A. Answers to question A indicated that university advertising programs, not surprisingly, are oriented more toward advertisers than toward consumers:

Answer	Advertiser Version	Consumer Version	Both Versions
1	2	1	3
2	10	6	16
3	15	12	27
4	4	7	11
5	6	6	12
6	2	2	4
7	1	2	3
8	0	0	0
9	0	0	0
10	1	0	1
Totals	41	36	77
Average	3.30	3.69	3.49

An average response was computed by assigning number values of 1 to 9 to the first nine choices. The lower the average, the greater the advertiser orientation. The results show that the entire group of responses averaged 3.49, about halfway between the third and fourth answers. Thus the average advertising program has an advertiser orientation, and so do all of its courses, and the consumer viewpoint is given some attention in a number of courses midway between "at least one" and "all or most."

What of the difference between those persons who thought they were responding to an advertising professor and those who thought the surveyor was a consumer professor? The average for the "advertiser" group was 3.30 while that for the "consumer" group was 3.69. The difference produced a t score of 1.90 (df=74), indicating a probability of approximately .06 that the difference could be attributed merely to the fluctuations of chance in assigning respondents to the two groups.

Question B. About 90% of respondents included answers to Question B. They fell into three main categories (some answers fell into more than one category). The first type of answer was that the respondent's program had an advertiser orientation simply becuase it was created for that purpose; that was the intention at the time the program was started. Some of these responses were:

> "Purpose is to prepare young people for careers in advertising"
>
> "Courses are perceivd as preparing the student more for a career in advertising than educating him to be a better consumer"
>
> "The College of Home Economics has a course in consumerism—that's where it belongs"

Some answers indicated that the program had its particular purpose because of student demand:

> "Most of the students wish to become practitioners in advertising"

Other answers in the same category reflected the teacher's orientation or small ad programs which allowed room for nothing but the advertiser orientation:

> "Only one course in advertising, so we concentrate on ad viewpoint primarily"

The above answer to Question B (the "professional" answer) occurred 55% of the time for those who answered: 58% for those responding to the advertising professor, and 52% for those responding to the consumer professor.

The second category of answer to Question B involved an expression of sympathy for the consumer and for a consumer orientation:

> "Advertiser and media have a responsibility to the public"
>
> "We think that advertising is not only to sell merchandise but also to help make better informed buyers"

"I wouldn't say our ad sequence is oriented either way—nor should it be. After all, everyone is a consumer. We teach facts, not orientation"

This category of answer (the "consumer sympathy" answer) occurred 20% of the time, but 13% of the time in the "advertiser" answers while 30% of the time in the "consumer" answers.

The third category of answer to Question B involved what the researcher interprets to be a misunderstanding on the respondent's part about the meaning of the terms "consumer orientation" and "consumer viewpoint." The questionnaire instructions explained that they involved starting with the consumer's wants and needs. But certain respondents, when explaining why they had a consumer orientation, discussed curriculum content devoted principally to the advertiser's wants and needs:

"The consumer is discussed in our courses because he's the recipient of the advertising"

"Unless the consumer is taught, the advertising will not be an efficient and effective marketing tool"

"To be effective, advertising must consider the consumer"

"Failure to see things from the consumer's point of view can often mean the failure of a product"

This category (the "misunderstanding" answer) appeared in 30% of cases, 26% for the "consumer" group and 33% for the "advertiser" group.

Question C. Question C produced the answers shown below. Percentages as well as totals are shown; for example, of the 41 schools responding to the advertising professor, 16, or 39%, listed the "Survey" courses as having a consumer orientation:

	To Advertising Professor (N = 41)		To Consumer Professor (N = 36)		Total (N = 77)	
Survey; Principles of Advertising	16	39%	9	24%	25	32%
Copy and Layout	7	17	4	11	11	14
Advanced Copy and Layout	2	5	26	6	4	5
Media	3	7	3	8	6	8
Campaigns; Case Studies	4	10	4	11	8	10
Retail Advertising	0	-	2	6	2	2
Newspaper Advertising	3	7	1	3	4	5
Radio-TV Advertising	1	2	0	-	1	1
Management	1	2	0	-	1	1
Adv. & Society: Adv. & Public Interest; Adv. & the Consumer, etc.	4	10	5	14	9	12
All courses	4	10	3	8	7	9
No courses	17	41	18	50	35	45
No answer	0	-	0	-	0	-

Answers to Question C presumably reflected purely objective fact, and one would not expect them to vary according to whether the responses were made to the advertising professor or to the consumer professor. The reported percentages suggest no reason to alter that belief.

An additional observation, however, is that many respondents who listed a variety of courses in answering Question C also gave the "misunderstanding" answer to Question B, which suggests that the same misunderstanding may have occurred in response to Question C. Three of the respondents who answered "All courses" added comments (not requested) of which the following is typical:

> "All of our courses have a consumer orientation. Our philosophy is that you cannot prepare effective advertising if it is not written to the consumer"

Question D. Figures reported below for Question D include all answers to Question C as well, because it seems more useful to examine the total number of courses which give at least some attention to the consumer viewpoint rather than recording the figures for what is literally requested in Question D:

	To Advertising Professor (N = 41)		To Consumer Professor (N = 36)		Total (N = 77)	
Survey; Prin. of Adv.	31	76%	31	86%	62	81%
Copy and Layout	19	46	11	31	30	39
Advanced Copy and Layout	1	2	2	6	3	4
Media	4	10	5	14	9	12
Campaigns; Case Studies	6	15	8	22	14	18
Retail Advertising	0	-	3	8	3	4
Newspaper Advertising	5	12	3	8	8	10
Radio-TV Advertising	4	10	0	-	4	5
Management	3	7	0	-	3	4
Psychology of Advertising	0	-	1	3	1	1
Adv., & Society; etc.	3	7	5	14	8	10
All courses	5	12	4	11	9	12
No courses	3	7	0	-	3	4
No answer	0	-	0	-	0	-

The figures show there were many listings added for Question D which were not listed for Question C. No important differences are shown between the "advertiser" and "consumer" groups. Observations on the possible inaccuracy of many responses are the same for Question D as previously stated for Question C.

Question E. Question E, although asking about consumer orientation or viewpoint only, produced responses overlapping with those for Question B. Aside from one answer displaying hostility toward such orientation, the answers fell into two categories. The first was a "Consumer Sympathy" answer, showing sympathy toward consumer orientation and consumer viewpoint, accurately understood. Typical comments were:

"Leads to well informed consumers"

"More of the students who take these courses will be consumers of advertising than will be producers"

"Gives perspective, encourages ethical, responsible performance"

The second category of answers also indicated support for a consumer orientation or viewpoint, but actually constituted a "misunderstanding" answer. As happened with the responses to Question B, this type of answer supported a consumer view only for the benefits it would give to the advertising practitioner.

A wide difference between the two groups of respondents appeared in their selection of these two types of answers. The "consumer" group gave the "sympathy" answer two-thirds of the time and the "misunderstanding" answer only one-third. But of the group responding to the advertising professor, 41% gave the "sympathy" answer and 55% the "misunderstanding" answer. Thus while respondents reflected trouble in understanding the meaning of "consumer orientation" and "consumer viewpoint" under both conditions, they were more likely to commit the misunderstanding when they were making their responses to the advertising professor.

Question F. For Question F an average response was computed by assigning values of 1 to 5 to the first five choices. The lower the average, the greater the trend reported toward an advertiser orientation:

Answer	Advertiser Version	Consumer Version	Both Versions
1	5	1	6
2	3	2	5
3	13	4	17
4	9	12	21
5	6	11	17
6	5	6	11
Totals	41	36	77
Average	3.22	4.00	3.58

The results show that the most typical response of an advertising professor responding to another advertising professor was to say "no change," while the most typical response when responding to a consumer professor was "slightly strengthen consumer orientation." The difference between the groups would have happened by chance in less than .001 cases ($t = 4.56$, $df = 64$).

Question G. Question G asked respondents for the reasons why they answered as they did to Question F. A majority in Question F reflected a move toward a greater consumer orientation, and the largest category of answers here indicated the same. 50% of responses stated that consumerism (and related concerns, environment, inflation, etc.) exist in our society and therefore should be recognized. These

"consumerism" answers did not necessarily state approval of the movement; rather, they emphasized the sheer impact of its existence.

The next largest category, stated by 19% of respondents, was the now familiar "misunderstanding" response, in which the answers explained a purported shift to a "consumer orientation" by giving answers which actually indicated an opposite orientation:

> "We have a change toward teaching consumerism in order to be more effective as advertisers"
>
> "You are more believable and effective if you create advertising which is in the interest of the consumer"

In one type of "misunderstanding" response, the answers seemed to imply that "consumerism" or "consumer orientation" referred to advanced knowledge of consumer behavior rather than to what the questionnaire instructions suggested.

A category of answer appearing 17% of the time gave the reason for a changing orientation as being "expansion of faculty and number of courses" which meant more opportunity for having a consumer orientation. Such orientation was desirable, in other words, but not of top priority.

Other types of answers to Question G, appearing in small numbers, were that students demanded the change, that the university wants the program to have this orientation, and that advertisers wanted the school to make this change.

Answers to Question G differed somewhat for the two sets of respondents in ways parallel to the way they differed for Question F.

Question H. For question H averages were computed as they were for Question F. The lower the average, the greater the advertiser orientation:

Answer	Advertiser Version	Consumer Version	Both Versions
1	2	0	2
2	4	4	8
3	14	6	20
4	8	12	20
5	5	6	11
6	8	8	16
Totals	41	36	77
Average	3.30	3.71	3.49

The results show that the most typical response made to an advertising professor was "no change," while the most typical response made to a consumer professor was "slightly strengthen consumer orientation." The difference in average responses would have occurred by chance in about 1% of cases ($t = 2.60$, $df = 59$).

Question I. Question I, which asked respondents why they answered as they did to Question H, did not succeed as a response-producer. The reason was probably the question's similarity to Question G, along with its rear-end position in the questionnaire.

Two questionnaires contained comments which followed Question I but which were perhaps more related to Question E since they were comments on the value of a consumer orientation:

> "Perhaps you are suggesting a merger between advertising and home economics. Increased emphasis on 'consumer orientation' cannot avoid weakening the vocational preparation in advertising curricula"
>
> "I'll leave the sustained criticism of advertising to the home ec types and philosophical English professors. If my students have a good understanding of the advertising profession, they won't have any trouble detecting its flaws"

Interpretation and Summary

An overall look at the survey results suggests the following general conclusions:

Conclusion 1. University advertising programs have mostly an advertising orientation; most of their courses have an advertising orientation; a substantial number of their courses give some attention to the consumer viewpoint.

The results give no reason to believe that a substantial consumer orientation exists in conjunction with an advertiser orientation.

The willingness to express a tendency toward a consumer orientation was greater for those schools responding to the consumer professor.

Conclusion 2. The respondents showed an important degree of consumer sympathy. While a minority viewpoint, such response appeared frequently enough to be considered substantial. A number of comments showed a very distinct interest in the concerns of the consumer.

These comments were undercut, however, by the fact that the tendency to show such sympathy was much less in the responses made to the advertising professor. Probably some statements of sympathy were made only to placate a consumer-oriented surveyor. Still, even the lesser degree of consumer sympathy expressed to the advertising professor might be considered an important amount.

Part of the data leading to Conclusion 2 consisted of what was not expressed by the respondents—hostility to consumers. Except for two or three comments, hostility was absent in a survey which, although not asking about it, did provide the opportunity for it to be revealed.

Conclusion 3. Respondents showed a distinct misunderstanding of the meaning of the terms "consumer orientation" and "consumer viewpoint." Their specifications of the existence of such orientation and viewpoint thereby overstated the degree of actual existence. The tendency to misunderstand was affected by the identification of the surveyor, with the misunderstanding more likely to occur in responses to the advertising professor.

The researcher feels that this is the most important conclusion to emerge from this study. While it is significant to know what advertising professors feel about a consumer orientation, it is even more significant, because more fundamental, to know what the term means to them—especially when many of them take it to mean an approach which is really an advertiser orientation in thin disguise.

Early selling emphasized manufacturing rather than marketing; the key to selling was making an acceptable product. But when competition appeared from others selling essentially the same product, the realization developed that manufacturing excellence was not enough. The emphasis turned to marketing, which means it turned from the study of the product to the study of the consumer's response to the product. This new strategy, known in the literature as the "marketing concept,"[1] amounts in a certain sense to a consumer orientation. The company orients its activities toward consumers; it studies them—in order to sell products.

That, of course, is not a consumer orientation in the sense used here. A true consumer orientation does not examine the consumer in order to achieve someone else's goals; rather, it is devoted to the consumer's goals and to helping the consumer achieve them. The responses reported here suggest that the advertising professors to a great extent ignored such description and substituted the idea of consumer orientation associated with the "marketing concept."

The conclusion that they did this is supported by the fact that the misunderstanding was more likely to occur when responding to the advertising professor. Under such condition the respondent was reinforced in the ways that advertising professors typically think. When responding to a consumer professor, the respondent would be more likely to think as a truly consumer-oriented person would think, and thus would be more likely to avoid the misunderstanding. This sort of differential response to the consumer professor, plus the responses reported in Conclusion 2, make it evident that the respondents were fully capable of understanding the nature of a true consumer orientation. But very often they were not disposed to do so.

The resulting misunderstanding has an effect on other conclusions drawn from the survey. Conclusion 1 included the representation by

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[1] Martin L. Bell and C. William Emory, "The Faltering marketing concept," Journal of Marketing, Vol. 35, Oct. 1971, pp. 37-42.

respondents that they give some attention to the consumer viewpoint in a substantial number of their courses. Whether they actually do so in the sense intended may be questioned. Conclusion 4 also seems subject to the same cautions in interpretation.

Conclusion 4. Both past and future changes in advertising curricula were in the direction of a greater consumer orientation. The expression of this direction, however, appeared strongly only in the responses made to the consumer professor; it was weak otherwise.

The researcher thus is inclined to question whether the results really show any significant change toward a consumer orientation. Many of the mentions of "consumer orientation" do not refer to that concept as defined in the questionnaire.

Still, consideration probably should be given to the fact that the advertising professors did express interest in "consumer orientation" according to their own definition of it. That result is much different than if they had check-marked "advertiser orientation" a majority of the time on Questions F and H. The inclination toward their own version of "consumer orientation" suggests, in a way parallel to the data which produced Conclusion 2, that a certain degree of sympathy does exist among advertising professors for the consumer's goals, wants, and needs.

Summary. University advertising programs are not oriented to consumers in ways or degrees sufficient to describe them as being truly consumer oriented. They not only lack such orientation, but what is worse, many of them mistakenly think they have it. Because of the latter, they are unlikely to be receptive to arguments attempting to persuade them to feel positively toward the consumer. They believe they already do, and that nothing more is needed. What is necessary under such conditions is an education effort which explains to them what it actually means to be positively oriented to the consumer. The consumer sympathy exhibited in the survey may be a hopeful sign in this regard, suggesting the possibility that an even greater reservoir of sympathy may be revealed once a proper degree of understanding is achieved.

LOW INCOME CHICANO'S FAMILY PURCHASING, CREDIT AND CONSUMPTION BEHAVIOR—AN EXPLORATORY STUDY, 1970-75

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As we enter the last fourth of this twentieth century, we find many of the poor's problems still untouched despite much effort and rhetoric toward that end. Consumer welfare is a tricky concept which often is related to income as a regulator of consumption[1] but may when dealing with aggregative growth of personal incomes mask the consumer welfare problems of the poor and other disadvantaged. The growth in affluence since 1940 had led up to an inflationary state in which choice is often choice only for those who have income but also have the education and facilities to intelligently participate fully in the market. The poor are often the least educated and the least mobile. Their marketplace is often beset by "deviations" with poor ethics, shortages of quality goods and rip-off credit policies.

One outstanding consumption practices study which illustrated consumer welfare problems by those who had not shared in the national prosperity was David Caplovitz's The Poor Pay More.[2] Caplovitz documents the problems of inflated prices and high credit charges paid by the poor —mainly Negroes and Puerto Ricans—for appliances and household goods. Others such as Sturdivant[3] and various Federal Trade Reports have carefully reported similar problems of the urban poor.

This exploratory study employs a questionnaire derived from the Caplovitz study and also a study done by Gordon Bivens in Milwaukee. The location is New Mexico and the audience studied is low-income Spanish Americans in a small city, Las Cruces, and surrounding areas.

Brief Background of the Spanish Americans

Less is known about this minority group of 10.6 million than any other similar sized group. Complexing the problem is that the Spanish

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[1] Rice, Ann S., "An Emerging Economic Framework for Analyzing Family Managerial Behavior," The Family: Focus on Management, American Home Economics Assn. Conference, University Park: Pennsylvania State University, 1969, p. 8.

[2] Caplovitz, D., The Poor Pay More, Glenco, Ill.: The Free Press, 1967.

[3] Sturdivant, F., The Ghetto Marketplace, New York: The Free Press, 1967.

Americans are a diverse population which includes persons from Mexico, Puerto Rico, Cuba, Central America, South America, Europe, and "other Spanish American Countries." It is difficult to enumerate and also to classify the "Spanish Americans as a normal Mexican culture of Spanish and Indians constituting a distinct race."[4] Many Spanish Americans accept the stereotype of themselves as the "Anglos" see them, i.e., more emotional, stronger family ties, less materialistic, less progressive, less ambitious, etc.

The Spanish arrival in New Mexico in 1598 predates the white man's arrival at Plymouth Rock, Massachusetts. The Spanish, previous to the Anglo settlement, probably had 60,000 persons in New Mexico with a full range of class structure and a viable government. New Mexico has had a relatively peaceful heritage between the two races with intermarriages common, business and commercial joint ventures and accommodations politically within both parties and great differences found in per capita incomes and employment status.

Among the characteristics of the Chicanos are the largest family size of any racial group with 4.4 the average number of children born to a Mexican American woman. Chicanos lag behind other ethnic groups in average numbers of years of formal education and in household income. Spanish Americans have a smaller percentage of workers in the professional or kindred fields and a higher percentage in the service and laborer area.[5] Bogue[6], in 1959, found that Spanish Americans constitute the only ethnic group that shows no substantial rise in socio-economic status when first and second generation characteristics are compared.

Study Design

The first 77 item questionnaire used here, adopted from those used by Gordon Bivens and Caplovitz, was designed to find out the marketing and credit practices of the Chicano poverty level families. The original interviews were made in the fall of 1969 and winter of 1970 by marketing research students at New Mexico State University, Dona Ana Community Action Program workers and the writer. The 40 to 70 minute

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[4]Moore, Joan W., Mexican-Americans, Englewood, N.J.: Prentice-Hall, 1970, p. 1.

[5]Most of this paragraph is derived from U.S. Census Data of 1970 and from E. J. Kahn, The American People, Baltimore, Md.: Penguin Books, 1973, pp. 208-216.

[6]Bogue, D., The Population of the United States, Glencoe, Ill.: The Free Press, 1959, p. 372.

interview was conducted in Spanish or in English as the respondents preferred. Team interviewing included at least one bilingual person and one CAP worker.

Rural and urban households of both races were interviewed. This paper covers the 120 Chicano households interviewed in Las Cruces, a population center of 37,857 in 1970. The OEO's definition of poverty or low income was $2,100 or less annually, a three-person household at $2,600 or less, and so on, adding $500 for each additional family member.

The second or follow-up study in May and June, 1975, used a mail questionnaire both in Spanish and English sent out twice to the original respondents.

Some Family Characteristics (1969-1970)

The average family size was 6.7 persons, ranging from 1 to 18, approximately twice that of the average family in Dona Ana County. About three-quarters of the households with children had a father as head of the family; 21% had only the mother and 5% were headed by a grandparent.

Because of limited mobility, over 90% lived within 200 miles of their birth. 33% of the adult males and 27% of the adult females were born in Mexico.[7] Most had lived in the same residence for over 9 years. Over 40% owned their own homes, with an average of more than 1 person per room.

Educational levels were below state and national averages; about two-thirds of the household heads had only attended the first eight grades or less. About one-tenth had had no schooling. About two-thirds of the adults read a newspaper daily whereas about 90% of those interviewed listened to the radio. About half (44%) had access to a television. The majority interviewed could both speak and understand English and Spanish. However, over one-fourth stated they could not read English and a similar percent stated they could not read Spanish.

Marketing Practices—
Appliances and Furniture

The respondents were quite knowledgeable about their buying and credit practices. Their searches for big ticket items were slow, often wide-ranging and often employed "third parties." Most decisions were a joint decision and much of the search was a joint project. Consultations with the extended family, friends and fellow workers were common. Most stated you should know the firm or an employee "well" before buying any major item (above $200) in a store. The term "well" would include what their local reputation was, what had happened in the past to acquaintances in dealing with the company and their relationship or standing with the Chicano community. Most big ticket buyers had spent over a month of "search-time" in deciding on what to buy and where to buy. The

[7]Note that Mexico is contiguous to Dona Ana County, N. Mex.

respondents had generally shopped several stores or had visited the same store many times before buying. Whereas many studies of urban low income consumers display unsavory stories of "bait and switch" and "impulse buying from questionable door-to-door salesmen," the Chicanos rather methodically but informally attempt to eliminate these risks. However, they employed no formal information sources, such as Consumer Reports, Chambers of Commerce, extension agents, libraries, Better Business Bureau, state attorney general office, etc. The use of third parties as references was common in establishing (a) type and quality of product to buy, (b) the reputation of the store, and (c) the price and terms.

Most respondents were quite knowledgeable about stores and store personnel. Their buying was not related to the store being owned or managed by persons of the same race, but they were quite conscious of the owner-managers, their sensitivity, reliability, personality and ability to relate to them as individuals. The Spanish Americans were quite price conscious but did not necessarily buy the lowest priced item. They emphasized service and reliability, with no seemingly consistent brand preference on large applicance. Credit is a problem for low income Chicanos but they rated this factor low in choosing a supplier.

Livingroom furniture, the most costly item purchased, appeared to have certain "psychological overtones." In terms of cost, the kitchen, master bedroom and children's bedroom followed. The purchases of used television sets and used appliances through the irregular and used markets were common.

Buying of "big ticket items" out of the normal neighborhood trading areas was not related to income as in the Caplovitz study but rather to (a) place or work, (b) place of birth, and (c) possession of an automobile.

Automobile Purchases

Whereas practically no one reported being cheated on furniture or appliances, about one-fourth of the respondents felt they had been "cheated" on car purchases. The car tended to be male-dominated both in the search and in decision making. The car search was shorter than for appliances and generally involved less third party help. Next to medical and death expenses, autos were the biggest causal factor for indebtedness. Car prices paid were generally between $500 and $1000. There was no significant correlation between income or formal education and whether somebody felt he was "cheated" on an auto.

Over a third of those interviewed had purchased items at the door, generally household maintenance items, cosmetics and charity related items. Of those who purchased from door-to-door salesmen, the majority (54%) claimed they did not plan to buy again. This study showed only one big ticket incident—that of a $300 plus vacuum sweeper.

Two persons complained of $40 plus sales of Bibles by "over enthusiastic college kids."

Installment Buying and Credit

Although roughly one-third of those interviewed had been refused credit, the majority had used installment credit—either finance companies or store credit. Most individuals felt installment buying was not alright unless used with judgment or for a necessary purpose. Most were aware that merchants granting credit terms had additional costs and that the buyer would pay for this in some form. Only about 25% knew the true rate of interest but the majority (78%) did know the exact amount of payments and the number of payments remaining. About four-fifths of those households were in debt, mainly for medical and death expenses (79%) and auto loans (49%).

The majority of those interviewed did not stay indebted but used credit as a short-term means of alleviating cash disbursement, i.e., generally the debt was under $50 a month and ran for less than 25 months. Few had national credit cards. About one-fifth did have credit cards or charge accounts at local clothing stores.

Clothing Purchases

About one-third of the clothing was purchased out of the ordinary neighborhood ara (20 mile radius) which possibly means it was done by mail order or from the El Paso-Juarez area. Women particularly were reflective and interested in whether the store attempted to attract their business. About 21% of the households interviewed had lines of credit at one or more clothing stores. Of this 25%, about three-fourths were currently "in debt" ranging from $10 to $90 with a median bill of $40-49. (Tables 1 and 2 reflect the aforementioned selected indicators and purchases).

Food Purchases

Food marketing both from size and from the presence of the Juarez markets 50 miles away was considered of key interest. The Juarez market gives not only diversity but alternatives from which a low income Chicano family and others might gain.[9]

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[9]Mexican markets have somewhat different products, structures and practices than the U.S. With the Juarez market, grading and pricing are quite different. For example, Mexican sugar in September, 1974, was selling at the equivalent of 11 cents a pound while U.S. refined granulated sugar was selling at over 50 cents a pound in the U.S. The average family buying in Juarez spent approximately $22-$23 per trip in buying meat, sugar, flour, coffee, cookies, chili, fresh fruits and vegetables, rice, cheese, and colas.

Table 1

Selected Indicators of 120 Low Income Chicano Households, Las Cruces, New Mexico, 1970

Item	Answering Percentage Yes or Positive Number
Owning Home	40.3
Owning Automobile	76.3
Currently in Debt	78.9
Owing Medical/Death Bills	51.1
Paying on Autos	48.6
Paying on House Loans	17.3
Having Checking Accounts	11.0
Having Savings Accounts	15.3
Utilizing Pawn Shops in Last Two Years	13.7
Having Credit Accounts at Various Stores	21.4

Source: Original Data

Table 2

Purchases by 120 Low Income Chicano Households by Type of Payment, Las Cruces, New Mexico, 1965-70

Item	Cash	Credit
Television and Appliances (over $200)	30	70
Clothing (over $50)	59	41
Furniture (over $100)	43	57
Home Improvements (over $200)	31	69
Medical Expenses (over $50, not covered by insurance)	18	82
Food	89	11

Source: Original Data

Las Cruces is a small city (37,913) in which most inhabitants know the alternatives and are not as dependent on neighborhood stores as the ghetto dweller of Milwaukee or Los Angeles. Fourteen supermarket and grocery stores are located throughout Las Cruces. Movement within the marketing area is not hampered by physical violence.

About 7/10 of the grocery business had been captured by the supermarkets. Of the families patronizing the neighborhoods, the majority (63%) utilized credit when buying food. Others used the

neighborhoods for "convenience" or because they had small households and lacked transportation. Most interviewees felt they were paying approximately 20% more for buying at the neighborhood store than at the supermarkets. About half (46%) of those buying on credit said they would not buy at these stores if they did not need credit. Of those buying on credit, about 40% limited the bill while another 30% let their bill reach $50.

Roughly 25% of the families purchased over $20 worth of food in Juarez at least once a month. Purchases in Jaurez were not correlated with income or education but with the household's place of birth, place of work, and whether they had an automobile.

Households with automobiles tended to shop outside of their neighborhood (over 83%) whereas only about 60% of the families without cars did.

Food Expenditures

Our median household interviewed had seven members; the mother is 30 years old and has an elementary school education; the total spent for food was $20.12 per week, or approximately 13.5 cents per person per meal.

The families with annual incomes of between $1,560 and $2,058 spent roughly 54.3% of their income for food purchases while those in the income groups of between $6,188 and $7,800 spent about 23.4% on food. (Recall that the poverty definition adjusts for different family sizes.) (See Table 3.)

Table 3

Percent of Income Spent for Food[10] as Revealed in a Study of 120 Low Income Chicano Households, Las Cruces, New Mexico, 1970

Annual Income Group	Percentage Spent for Food
$1,560 - $2,058	53.4
$2,059 - $4,628	40.2
$4,629 - $6,188	30.9
$6,189 - $7,800	23.4

Source: Original Data

[10]At the time of the 1970 study, instead of a food stamp program there was a surplus food program for those who qualified. Less than 10% of those in this study participated. Adjustment in the above table was made for those who received surplus foods.

The 1975 Resurvey

The families were resurveyed in spring, 1975, with mail questionnaires. The response rate was slightly over 50% after two mailings. Although the respondents did not vary from the original group significantly in either age, income, or education, the universe studied may have changed in more subtle ways.

The majority of respondents felt their household income over the last five years had increased more than the cost of living (43%) or stayed the same (51%) while only a minority felt their income had dropped. Over 60% of the respondents reported changes in their means of income either as to the type of job, number working or income source. The majority of those changing was the main wage earner changing jobs or job classification. Also, a large number of females entered the job market.

Despite over 40% receiving food stamps and over 30% planning to have a garden, the majority felt they spent more as a percent of income and as a total for food in 1975 than in 1970.

The number in debt was approximately the same. They had more indebtedness than in 1970 but felt better equipped to repay. Over 66% of the households reported a major purchase of over $300 in the last year, mostly on credit. The majority felt they were better off in 1975 compared to 1970. The vast majority expect their children to enjoy a better life. (See Table 4.)

Table 4

Comparison of Selected 61 Low Income Chicano Households for Specific Characteristics, Dona Ana County, New Mexico, 1970-75

Characteristics	1970	1975
Average Family Size (persons)	6.7	6.6
Percent of Women, 18-65, Working Outside the Home	17.2	29.3
Number of Food Purchases per Month	7.1	9.8
Percent of Households in Debt	79.0	82.0
Percent of Housing Having Television or Access to TV	42.6	86.9
Percent of Households Having Access to Radio	88.5	91.2
Reported Median Household Income (Annual)	$4,280	$7,848

Source: Original Data

In Conclusion

Why the differences between this localized study and other consumer expenditure studies of the urban poor minorities, such as that by

Caplovitz? A partial answer may be that (1) differences in the length of time within the market, i.e., the newly arrived Puerto Rican or the Negro from the South faces more change as he attempts to fit into the urban culture, (2) the Chicano has extensive family and friend networks who permeate all facets of the society which the urban newcomer may not enjoy, (3) the Chicano is not tempted by such rampant credit or merchandising tricks as there has been a de facto recognition of his political and legal power, (4) the Chicanos by temperament and culture may not be as tempted to "buy" as the upward mobile urban minority member who is more hedonistic and who has already undertaken a large "risk" by moving such a distance from his home and culture, and (5) the Juarez-El Paso markets offer alternatives. The ethics of the merchants are different in the two areas; the size of the Las Cruces market does not invite similar practices.

More extensive consumer studies of diverse groups are needed so we can further improve the marketing system and illuminate desirable changes such as the Caplovitz study has done.

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COMMUNITYWIDE DISCOUNT PROGRAMS FOR THE ELDERLY: PROBLEMS AND PROSPECTS

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Introduction

Maintaining adequate income persists as the most significant problem of elderly Americans. (5) In the Commonwealth of Virginia as in most states, nearly a quarter of the citizens over 65 live below the poverty level. For elderly blacks and other minority groups the poverty ratio is one out of two. Recent statistics confirm a sharply rising cost of living for older persons. For elderly consumers on relatively fixed incomes, this inflation blow has been savage. The estimated annual budget for a retired couple rose 9% in 1972-73 and 11% in 1974. (1, p. 5; 8, p. 4) The cost of food alone rose 57% from 1970 to 1975. (7) Waddell notes that inflation forces older consumers to cut back on discretionary spending rather than in the areas of greatest price rise, such as food, housing costs, and medical care. (6)

To counter such inflationary forces there has been a remarkable development of communitywide discount programs designed to increase the buying power of the older population. Agencies in a number of urban centers, e.g., Louisville, Denver, Omaha, Los Angeles, Syracuse, Providence, Reno and Richmond are now sponsoring these programs. Although long-range economic policies for ameliorating the income of the elderly must come from national and state legislation, advocates for the aged state that discount programs will provide immediate assistance on a limited scale.

Two basic questions need to be answered in evaluating these discount programs: (1) The benefit-cost question—given the cost to all parties involved, elderly consumers, merchants, program sponsors, are satisfactory levels of benefits available to each group? (2) The cost-effectiveness question—how efficient are such programs, at different levels of investment?

This paper provides a preliminary evaluation of the Richmond, Virgina Senior Discount Program, which has been in operation 11 months. It examines important problems and prospects for reaching the program's objectives, and develops policy implications based on the evaluation.

Case Study: Senior Discount Program in Richmond, Virginia

The Senior Discount Program of Richmond, Virginia, funded by Title III, Older American's Act, has been operating since May, 1975, in Planning District 15 which includes metropolitan Richmond and the seven surrounding counties. This program has successfully enrolled over 20,000 older persons and 600 merchants. Older members are issued photo I.D. cards and lists of participating merchants. Merchants advertise or display the symbol of the program and give discounts to elderly members throughout the area. Merchants voluntarily offer discounts to older persons that they believe to be appropriate and often competitive; the discount range is from 5 to 40%, with most discounts from 10 to 15%. No subsidy was offered to merchants to underwrite the costs of their discounts.

The Evaluation of Social Marketing: Analytical Framework

Social marketing provides a useful framework for planning, implementing and controlling voluntary discount programs. The essential task of programs like the Senior Discount Program is to successfully facilitate a voluntary exchange between two groups: elderly citizens and merchants. If this exchange is perceived as successful in helping all groups meet their own goals, the program will probably continue. Participation will diminish or be significantly reduced if the exchange is ineffectively managed.

In evaluating a social marketing program, Kotler suggests that three major aspects must be examined: the marketing environment (markets, customers, and other publics, competitors, and relevant environmental developments); the marketing system (objectives, programs, planning and control, organizations); and marketing activities (services, promotion, distribution, etc.). (2, p. 56) This paper focuses on preliminary research findings with regard to the marketing environment and the marketing system. (4)

Marketing Environment and System

Evaluation of Effectiveness in Enrolling and Retaining Merchants

The key to the success of a voluntary discount program in reducing purchase costs to the elderly is enrolling and retaining enough merchants who sell needed products and services, who are readily accessible, and who offer discounts substantial enough to make a difference in elderly shoppers' budgets. Thus, specific objectives for recruiting merchants need to be determined for each of these merchant criteria.

In launching the Richmond program several merchant enrollment objectives and selection criteria were established:

1. Merchants who provided goods and services most needed by the disadvantaged elderly were sought out. A preliminary survey of Richmond elderly shoppers provided information on products and services they believed to be most desirable.
2. A rapid initial merchant enrollment to build a solid merchant base for the program was carried out.
3. Care was taken to establish merchant locations in proximity to substantial numbers of the elderly.
4. Wide coverage of the entire metropolitan-rural geographic area was implemented to provide discounts to the entire region.

Ideally, merchant selection objectives are quantified allowing specific quotas to be set for planning and evaluation purposes. In practice, it is difficult to specify in advance meaningful quotas. The Richmond program segmented the planning district into geographic areas based on population distribution of elderly consumers, and then set "as many as possible" merchant recruitment goals for each area.

Currently, evaluation of merchant enrollment goals is accomplished by monitoring periodic reports filled out by discount program staff following merchant solicitations, and by evaluating interviews with enrolled merchants who express an interest in modifying or terminating their contract with the program. After 10 months of operation, the program appears to have met the objective of rapid sign-up of participating merchants. In the metropolitan area of about one-half million people, over 600 merchants are currently enrolled, 550 within the first three months of operation.

Preliminary findings indicate that current participating merchants are predominantly small to medium-sized local businesses rather than national or regional chains or major shopping center retailers. Negotiations with large chains have been difficult because corporate headquarters were usually located some distance from Richmond. In the Richmond area these retailers expressed fear of loss of profit margins, an unwillingness to deviate from headquarter pricing policies, complex logistical problems in processing discounts, and fear of abuse by wealthy persons.

The greater support of smaller, localized businesses reflects their closer community identification and their dependence on personalized service and customer goodwill as competitive advantages. The net effect of this mix of merchants on improving the buying power of the elderly is difficult to assess objectively. Larger chains, not in the discount program, often enjoy a price advantage over the small merchants. With discounting by the smaller mrechants, Richmond's elderly shoppers now may simply have more and perhaps more convenient store choices with prices similar to large chain stores, rather than lower prices absolutely.

Other evaluative findings indicate that few merchants have expressed dissatisfaction with their participation in the program. Only two have cancelled their agreements and only three or four have modified their agreement with the program. This indicates that the goals of low merchant turnover are being achieved.

Problems Encountered in Enrolling and Retaining Merchants

In evaluating the marketing effort to enroll merchants in the Richmond Senior Discount Program, a predominant limitation was found to be the widespread belief among merchants that the program would either fail to add profits or actually reduce profits. The fact that the Senior Discount Program stressed long-term contractual agreements probably heightened the perceived risk of lower revenues for merchants who believed it would be difficult and would create ill will if they dropped out of the program.

The following list of objections summarizes the various economic factors that caused resistance to participation on the part of the merchants:

1. Discounts lower gross margins to an extent not offset by added sales, and thus lower profits.
2. Discounts will not increase sales volumes because the elderly are a captive market anyway.
3. There is a dislike of discounting as a merchandising strategy.
4. Logistics of implementing discounts in the store are too complex, time-consuming and costly especially for small purchases typical of elderly shoppers.
5. Previous bad experience with customer discount programs tends to cause resistance.
6. Fear of customer abuse of the discount policy, e.g., excessive demands for discounts on items not covered by the contract, and using the discount card to buy for other ineligible shoppers.
7. Fear of employee abuse of discount policy—indiscriminate giving of discounts to ineligible shoppers or wealthy individuals.
8. Dislike of singling out a group for special treatment, e.g., price discrimination for one group as opposed to another group.
9. Dislike of any government intrusion in retailing matters.
10. Store policy and trade associations often forbid granting price discounts.

Some additional comments may add perspective to these problems. First, the majority of the problems were profit-related economic objections or rationalizations with underlying profit concerns. These objections are expected and are reasonable. The overall objections also may represent deeply held convictions, probably very resistant to change, that some retailers hold concerning the values of economic self-sufficiency, fairness, and the proper role of business and government in alleviating social problems.

The objection to price discrimination in favor of the elderly is largely a rationalization because there is much evidence of very similar price discrimination favoring not only the elderly but other consumer groups. These practices are condoned and openly pursued in the interest of profit.

One significant tradeoff made in The Senior Discount Program in Richmond to attract elderly shoppers was to avoid the welfare stigma of requiring card holders to prove their economic need. This was done by opening the discount card opportunity to all residents 60 years old and older. This policy has generated some resistance from merchants on two counts: (1) the potential unfairness of allowing wealthier elderly people to take advantage of a privileged price they don't need; and (2) discourages participation by retailers not wanting to discount widely, especially large department stores who do a high volume of business among older, more affluent shoppers.

Finally, while a photo I.D. card to identify elderly discount program members alleviates some of the problems of misuse of the discounts and should speed the sales transaction, some retailers are quite concerned with the costs of processing large numbers of small purchases which tie up employee time and can cause ill feelings among noncard-holders who are standing in line. Such arguments demonstrate vividly the need for the program to provide a complete marketing service to retailers including assistance in minimizing the problems of program implementation.

Policy Implications: Marketing to Merchants

The emphasis on profit concerns strongly reinforces the principle that these economic needs must be satisfied if merchants are to be enrolled or to continue in the program. The types of merchants most likely and least likely to participate should be identified. Then the potential merchants should be segmented and program resources allocated accordingly. Our evidence suggests two segments of merchants who may decide to participate: the profit-oriented merchants and the socially-conscious merchants. The two groups represent extreme but apparently real types. Both are valued in the program and ways must be found to help both types achieve their different goals as responsible participants. Profit-motivated segments must be able to improve or at least retain profit margins if they are to participate.

The socially-conscious segment probably is much smaller but easier to enroll in the program. Since in many cases they already offer discounts or other services to disadvantaged consumers, they have been among the first merchants contacted and enrolled in the discount program. Marketing efforts toward this group should promote social responsibility themes and concerns and provide opportunities for personal recognition for their public service efforts.

One specific "don't" can be offered; cost effectiveness considerations and indeed the long run success of the program itself demand that discount programs not encourage participation by suggesting that failure to "jump on the bandwagon" will lead to competitive vulnerability.

In summary, there are a number of ways that discount programs can help provide real benefits to merchants in a discount program: these approaches should receive different emphases depending upon the perceived needs of the particular merchant segments.

1. Document evidence of profitable discounting.
2. Point out the positive spill-over effect of discounting, e.g., more favorable word-of-mouth publicity, added patronage by other shoppers sympathetic to the economic problems of the elderly.
3. Suggest the types of products and services for which discounts would be of greatest benefit to the elderly.
4. Suggest ways of implementing discounting that will also benefit merchants, such as offering discounts on slow days or during slow hours.
5. Promote cooperating merchants as professionally and thoroughly as possible by using attractive brochures and logos.
6. Provide information on ways of providing efficient discount buying in the store.
7. Educate the discount cardholder on the merchant's need for efficient, orderly discount implementation.
8. Promote communitywide recognition of the public service contributions of merchants in the discount program.

The Evaluation of Benefits to the Elderly Shopper

The Richmond experience suggests that with an open-enrollment policy for the elderly and merchants and a reasonably efficient marketing effort to secure endorsements from responsible service organizations to facilitate consumer enrollments, the elderly community will respond enthusiastically. Yet the basic question remains: will discount programs such as the Richmond program supplement the buying power of the elderly to an extent that the real benefits for the elderly more than offset the total cost to all the parties involved—merchants, program, funding

organizations, other sponsoring groups and the elderly themselves? Unfortunately, neither benefits nor costs are easy to measure here. The Richmond Senior Discount Program is initiating a formal evaluation of the program's effectiveness in meeting the needs of the elderly community. Early evidence offers tentative promise that the program's goals may be realized, e.g., elderly shoppers are buying significant amounts of groceries at an average discount of 5%.

Generalization from empirical studies in the diffusion of innovations (3) would suggest that the discount card membership enrollment phase of the Richmond Program is well into its growth stage, with a distinct slowdown in the rate of growth due within a short period of time. A significant percent of the elderly consumers would be unlikely to sign up at all in the foreseeable future. Thus, the initial enrollment phase of the program seems to have been quite effective in efficiently reaching its market.

Questions Remaining To Be Evaluated

The following questions are also important in a benefit-cost analysis of consumer discount programs to the elderly:

1. How intensively are senior discount cardholders shopping for available discounts?
2. Are the discounting merchants adequate in number, variety and location to accommodate shopper needs?
3. Are discounts being offered on those products and services of most value to the elderly?
4. Are the discounts offered substantial enough in dollar amount to warrant shopping for them?
5. What unusual difficulties are shoppers experiencing in using the discount card?
6. To what extent are discount shoppers abusing discount shopping privileges?

Conclusions

In view of the need for a longer term solution in the form of national and state policies for the incomes of older people, who will be the prime movers in this political struggle? The most effective group will be the older persons themselves. Their ability is already recognized in such groups as the Gray Panthers and many smaller local groups which have influenced local governing boards on issues concerning transportation and health. At present they represent 10% of the population. By the year 2000 they will be nearly 15% and by the year 2050 they will be nearly 25%. This growth represents potential for political influence but when will the older population begin to recognize it and enter the political arena for its own ends?

The voluntary participation by merchants in the Richmond Program also raises another question. Who has responsibility in this society for insuring that older persons do not suffer or spend their retirement in fear? Is it the government, the family, or the older person? Modern societal practices, the mobile family and present government policies imply that the older person must do everything for himself, i.e., fight inflation and somehow increase his income. In our estimation the responsibility of the Amreican society to care for its poor is not well-defined. Congress must face the problems of the elderly; to ignore them is to say that the previous contribution of older citizens in taxes, community support, and military service was not that vital or important to the growth of this country. This conclusion would be a shoddy acknowledgement of the elderly's role in shaping America.

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A BILL OF RIGHTS FOR CONSUMERS

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The time has come when marketplace equality between business and consumers should be a fact of life. Responsive government and concerned local enforcement must be marshalled to cope with the consumers' twin dilemmas of spiraling inflation and corporate irresponsibility.

Today—when the public is soaked through and through by the media bath of high-powered professionally slick advertisements, paid for out of the millions of dollars in profits realized by giant manufacturers—that same public experiences the same uncomprehending recalcitrance of business to make good on the advertising promises that have always been forthcoming when a complaint was made.

If, as some say, this is indeed "the age of consumerism," that consumer advocacy must be translated into a commitment to enact the laws and implement the enforcement to ensure equality in the marketplace. Government must recognize the responsibility inherent in the phenomenon that the public believes that what is done openly and continuously must be legal, because otherwise it would be stopped. On reflection, we must admit that many things done are wrong, but that without the proper laws to stop them, they will continue.

For example, the old caveat emptor, or let the buyer beware, was accepted as the rule and was virtually unquestioned. Now, as business becomes bigger and more resources are available for business to develop an "image" through massive advertising, the inequality of information to the consumer makes him unable to "beware."

Price fixing may well be the most insidious danger faced by the consumer, because the effect of secret business agreements to control prices operates to emasculate the competitive dynamics of our free enterprise system. Developing an antitrust case to control this abuse of price fixing under our present laws is complex beyond belief and renders practical prosecution of those responsible very difficult.

At all levels of the government—local, state, and federal—the need for meaningful and workable consumer legislation is a paramount imperative.

Recent enactments of consumer legislation in some jurisdictions have proved that imposition of governmental remedies and initiatives in the marketplace does not limit or impede free enterprise and economic

development as is often suggested by the big business lobby. Passage of consumer acts is never easy, and their legislative history is fraught with committee pigeonholing, lack of support by the executive branch, and behind-the-scenes manipulation by business and corporate interests.

Our purpose is not to vitiate business, because most businessmen are honest, and we need the products of a healthy economy and motivated industry, but as consumers, we too should have certain basic rights and safeguards guaranteed by our laws and secured by concerned enforcement. Simply stated, the consumer must be assured that: goods bought and paid for should perform as represented and reasonably expected; financial arrangements should be governed by laws which balance and equalize the rights of the buyer with the seller or financial institution; landlord and tenants rights should be geared to recognize the renter's need for simple legal redress of uninhabitable and substandard conditions; federal pre-emption principles should not vitiate state laws which impose higher safety and health regulations; increasingly complex service and repair of automobiles and appliances should be regulated by licensing provisions; simple, fair, and expeditious small claims actions should be available to all consumers to provide a forum which encourages assertion of basic rights of action; land developers, home builders, and contractors should be subjected to strict laws and regulations to assure fair advertising and proper performance; our increasing population of mobile home dwellers should be protected by regulation of mobile home park operators and meaningful safety standards for construction of mobile homes. In short, consumers should get what they pay for at a fair price, with a reasonable expectation that goods and services will be as represented, with simple and effective self-help remedies as well as a responsive local agency as a standby for effective and concerned assistance.

To guarantee these legitimate consumer expectations, a broad spectrum of consumer legislation must be enacted. Only through such legal initiatives can a "Consumer Bill of Rights" be forged.

PART I

Consumer laws relating to Property Rights would include:

Financing Realty—return of deposit when financing fails

Home Purchase Protection Act—assures full disclosure of insurance, taxes, and utilities, as well as assurance of compliance with state codes and warranty of habitability

Landlord Tenant Relations-Security Deposits—provides for return of deposits

Land Sales Act—Controls developments relating to both selling and advertising

Mobile Home Park Tennant's Rights—regulates entrance and exit fees, prohibits special charge and commissions on mobile home sales

Mobile Home Regulation (Health and Safety)

Rent-Maintenance Obligations—provides and covenants to repair and comply with health and safety laws which are mutual with covenant to pay rent

PART II

Goods

Mail Order Merchandise—mail order houses cannot advertise merchandise not available within 30 days (New York)

Purchaser refunds upon vendors recission—where customer credit is rejected, vendor must return deposit.

Sale "Price Reductions"—cannot offer goods for sale at reduction without established regular price

Transient Merchants—must get a local license

Unsolicited Merchandise Received Through Mail—is an unconditional gift.

Used Articles (Retail Sale Of)—requires disclosure of used status when sold in retail centers (New York)

PART III

Services

Automobile Repair—provides for licensing and regulation of mechanics and businesses

Cemeteries—guarantees trust fund for perpetual care, licensing of salesmen, prohibits racial discrimination, provides escrow fund for pre-need vaults, markers, etc.

Truth-In-Travel Act—provides criminal penalties for overbooking, quoting wrong fees purposely, intentional deception (New York)

TV Repair—regulates repairmen by licensing

Utility Termination Protection Law—provides for adequate notice and fair hearing before termination needed

PART IV

Health and Safety

Generic Drug Substitution—gives consumer lower cost by substitution of generic equivalent drug

Hazardous Substances—need criminal penalties and civil actions at state level

Packaging Regulations—unit pricing, open dating

State Meat Laws—control quality, purity; state laws should be safe from federal preemption

Toy Safety—our toy law, integrating CPSC banned toy list plus state list

Transportation of nuclear waste

PART V

Procedural Rights

Touching and overlapping sections I-IV, including small claims, due process in repossession, utility terminations, class actions, garnishments, holder in due course, home solicitations, civil rights, charity frauds, etc.

Antitrust Laws—pricing fixing tie-ins. Prosecutor should investigate. (Michigan has good law)

Assessments-Due Process—property taxes, need for small claims court review for appealing local assessments.

Class Actions—defendant should bear cost of notifying class when defendant in position to pay.

Constructive Trusts—should be available to prosecutor for restitution for consumer-victims. Charity Frauds

Consumer Education—should be taught in all secondary schools.

Corporate Compliance Reports—all industry and business must designate responsible compliance officers to answer government agencies.

Deceptive Trade Practices or Consumer Protection Act—the most vital single consumer laws.

False Advertising—Michigan has this; prosecutors should maintain check on local businesses.

Franchise Investment Law—new Michigan law to require disclosure and registration. Proposed FTC regulates coming, criminal and civil penalties injunction.

Garnishments—protects employee from discharge after single garnishment.

Holder-In-Due-Course—should be abolished in all consumer financing; should provide disclosure of all terms to consumer. Eliminate H/D/C. Criminal and civil prevention.

Home Solicitation Act—provides three day cooling-off period for in-home contracts over $35.

Injunctive Relief—vital remedy for consumers against nearly every rip off. Part of Consumer Protection Act.

Obtaining Money by False Pretenses—the prosecutor's most common criminal charge needs revision to cover future misrepresentations and realistic penalties.

Small Claims Court—need to set realistic jurisdictional amount and serve restrictions on defendant's right or removal to District Court.

Usury—needs to be additional criminal sanctions for exceeding legal limit. Now only forfeits all interest and other charges and court costs and attorney fees for consumer.

Women and Credit—Michigan can't deny because of race, sex, color, religion, national origin, marital status, or physical hardship.

Charitable Solicitations—need new law to control professional fund raisers. Limit profit to 15%. Registration and constructive trust imposed by law for beneficiaries.

These laws, some passed in Michigan and in other states, should be the law of all states, to protect all consumers.

To complete the picture of protection, certain Federal laws must be enacted along with adequate enforcement under existing laws, e.g., CPA, Griffin petition for meat act not to preempt more stringent state laws.

The time is now. Today a public victimized on all fronts seems ready to fight back, and a government stung by attacks on its very being appears more willing to respond with new sensitivity to public outrage. These words, cloaked in anonymity, may well have been loosed as the battle cry of consumerism: "The law locks up both man and woman who steals the goose from off the common, But lets the greater fellow loose who steals the common from the goose."

The result is that a new facet of criminal justice is on the horizon and criminal sanctions are being sought in heretofore sanctified territory. A nation of people wants protection from pollution, death in steel traps on concrete slabs, impure foodstuffs, untested though legal drugs, shoddy merchandise, usury, cut-throat credit practices, warranties that are never honored, unperformed but billed-for services, fraud, deceit, "crime in the suites," and all the otherwise immutable hazards of modern life. The public is recognizing that crime may in fact be caused by public tolerance or reluctance to take action against it. That, coupled with efforts by progressive law enforcers to deal with the deceptive and unfair practices at issue more directly than the common law allows, may lead to destruction of the widespread notion that when "making money is involved, anything goes."

Across the country, unscrupulous businessmen prey on disadvantaged citizens. Many responsible law enforcement officials believe that efforts to curb street crime will be futile until the so-called "white collar" crime has been prosecuted effectively. So long as the little guy sees industrialists and businessmen get by with it, he's going to say, why can't I?

For too long the criminal penalties for white collar or economic crime have been insignificant in terms of the wrongs done to millions of innocent consumers. Street crimes traditionally have brought swift and heavy jail terms while few economic criminals receive more than a nominal fine or a wristslap jail sentence. Yet street crimes are often

perpetrated in passion or on the spur of the moment, while economic crimes require by their very nature intent, premeditation, and conspiratorial conduct. The equalization of penalties for white collar and street crimes was echoed by Ralph Nader recently at a conference of the NDAA, ECP/15-24 at Burlington, Vermont, which marked the first merger of the Nader commitment with law enforcement.

The consumer is generally helpless in this area. Self-protection is impossible. We must enact legislation and establish agencies to provide protection. If questionable practices are allowed to exist, the consumer, more often than not, assumes that the prosecutor and other law enforcement agents are aware, and that such practices are therefore proper. The problem is that the prosecutor lacks legislative authority and sanctions to provide the solutions.

Today, business has the advantage and the control in dealing with the psychology of the marketplace. The hucksters, the defrauders, the price-fixers have tilted the wheel. Fraud frequently eludes police statistics, while it viciously attacks and devastates the poor and the near-poor as individuals. It is extremely difficult to obtain evidence; there may be a nonfeasance rather than misfeasance of malfeasance, performed in the ordinary course of business, while victims are created who are totally unaware of their victimization.

Essential local assistance can best be provided for all consumers by the adoption by every state of a Deceptive Trade Practices or Consumer Protection Act. This legislation basically provides concurrent civil powers in the attorney general and local prosecutors to bring actions for deceptive and unfair trade practices in the nature of cease and desist, injunction, and suits for restitution. The civil jurisdiction of local prosecuting officers as a feature of enforcement on all consumer protection laws must be enlarged.

Present remedies of the consumer are often limited to actions under the common law and the prosecutor must frequently resort to very circuitous routes to bring charges against these kinds of offenders. They must use whatever injunctive relief may be temporarily granted by a court reluctant to treat "upstanding" members of the business community as common criminals, and they must often charge the offenders with repeated misdemeanors while hoping either that this will serve as a deterrent to further deceptive practices, or that they will finally latch onto the one case that may bring a larger penalty and end to the problem. Jail sentences or behavioral sanctions appear to act as a real deterrent in the area of "white collar" crime, but they rarely are available for application under existing law. The consumer needs a bill of rights that will make "suite crime" as significant as street crime.

CAREERS IN CONSUMER AFFAIRS
(Abstract)

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Ask youngsters what they want to be when they grow up, and none will say a consumer affairs professional. For good reason. The field has a long way to go in terms of visibility and credibility, although career opportunities are increasing perceptibly.

A consumer affairs specialist may be a teacher, advocate, investigator, inspector, researcher, counselor or writer; and may be employed by elementary and secondary schools, community colleges and universities, by business firms including manufacturers, chain store management, retailers, service industries and trade associations; by newspapers, magazines, radio and television; by federal, state or county government, or by community programs.

Few people have specific training as consumer affaris professionals (CAPs). The exceptions will eventually be graduates from one of the 50 or so universities offering a consumer economics major.

Studies of the profession by The Conference Board, Dr. John R. Burton, Joseph Bonnice, and the Society of Consumer Affairs Professionals in Business provide some insights on the nature of the occupation and the people engaged in it. The following is based largely on 132 useable questionnaires from members of the Society of Consumer Affairs Professionals (SOCAP).

Respondents were almost equally divided in terms of sex—men had a slight edge, and age—half under or over age 45. Half had more than or less than five years of experience in the field. Two-thirds had a bachelor's degree or better. The majority worked at the middle management level, but more senior executives than junior management people responded. Two-thirds had previously held positions in management or public relations, but recommend that newcomers get experience in consumer affairs. Their business affiliations varied; durable, nondurable goods and services predominated, with only 25% in retailing or with trade associations.

83% ranked advising top management on consumer matters as 1-most important or 2-important, and 59% thought functioning as a liaison between consumers, business and government warranted a 1 or 2 ranking. 51% gave a 1 or 2 ranking to handling consumer correspondence. Selected cross-tabulations indicate that women saw consumer complaint handling as somewhat less significant than did men. Women respondents envisioned

themselves as eliminating the cause for complaints. Women also did not rate advising top management on consumer matters as highly as did men, but ranked educating consumers on the wise use of resources as substantially more important as a function of their jobs than the men.

People who had been CAPs for 5 years or less also did not rate advising top management on consumer matters nearly as important as did those in the field 10 years or more. The old-timers also came out most strongly on policy determination as the most vital competence demonstrated by the CAP. All groups see consumer education as important, but women more so, and old-timers definitely less than the norm.

Extrapolating from the study, skills needed by the professional in the field are the ability to analyze: company policy. legislation, courses of action; to persuade from the viewpoint of consumers; to relate to customers and enhance good-will; to handle correspondence effectively; to develop creative projects and put them into operation. Two-thirds of the CAPs are responsible for consumer education and information. Over half give speeches and conduct research on consumer matters. Almost half supervise staffs, delegate responsibilities and handle budgets. Around 40% find report writing an important part of the job, and working with other divisions such as advertising, market planning and the legal departments. Only a few are specifically involved with legal matters.

To keep up-to-date, consumer affairs professionals read trade publications, Of Consuming Interest and Consumer Reports, ranked 1 or 2 by 57% to 69% of respondents. 43% gave the AACI Newsletter a 1 or 2 ranking. 93% of the SOCAP members rated their SOCAP membership as 1-most important or 2-important. The American Council on Consumers Interests got a 1 or 2 ranking from 40%, the National Consumers League 24%; the American Management Association 25%, the American Home Economics Association 16%.

47% of the respondents plan to make consumer affairs a life-long career. Many see it as a stepping stone to upper-management positions. Women and those in the field less than 5 years showed greater uncertainty regarding remaining in the field.

The SOCAP survey excluded data on income. The Conference Board study indicated that all men in the field earn over $15,000, and one-third of the women less, explained partially by their job affiliation, youth, and brief experience in the field.

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EDUCATIONAL OPPORTUNITIES IN THE CONSUMER FIELD

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Abstract*

The 1970s have brought forth a significant increase in the number of institutions of higher education offering consumer programs on the graduate and undergraduate level. Until recently there was little information as to which schools offered these program and what these programs consisted of. However, in 1974, the Office of Consumer Affairs, HEW, awarded this author a grant to study the career opportunities for consumer affairs professionals and to construct a directory of colleges and universities that offer consumer workshops. This paper will be concerned with the first part of this directory, consumer studies programs offered by colleges in the United States.

The data are drawn from the Spring 1976 publication Career Opportunities in the Consumer Field.[1] This publication is a follow-up of a 1975 booklet, Career and Educational Opportunities in the Consumer Field[2], researched and printed under the OCA grant. The 1975 publication stressed carrer opportunities; the 1976 publication placed more emphasis on educational opportunities.

A questionnaire in the January 1976 AACI Newsletter requested that those university faculty and administrators who have consumer programs complete the questionnaire and return it. Schools listed in the previous directory were also contacted so that they might update their listing. In all, the following 50 colleges and universities that offered consumer programs in some form or other responded.

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*Full text in the Journal of Consumer Affairs.

[1]John R. Burton, Educational and Carrer Opportunities in the Consumer Field, Utah: The University of Utah, Department of Family and Consumer Studies and the American Council on Consumer Interests, April, 1976.

[2]John R. Burton, Career and Educational Opportunities in the Consumer Field, Connecticut: Manchester Community College for Office of Consumer Affairs, Department of Health, Education, and Welfare, February, 1975.

Institution	Bachelor	Master	Doctor
University of Alabama	x	x	x
Auburn University	x	x	x
Baruch College (CUNY)	x		
Brigham Young University	y		
Brooklyn College (CUNY)	y		
State University at Buffalo	x		
University of California, Davis	o	o	o
California State University, Fresno	o	o	
California State University, Long Beach	x	x	
California State University, Los Angeles	y		
Central Michigan University	x		
Colorado State Yniversity	y	x	
Cornell University	x	x	x
University of Delaware	y		
Eastern Illinois University	y		
Florida State University	x	x	x
Herbert H. Lehman College (CUNY)	y		
Hood College	z		
University of Illinois, U-C		x	x
Indiana University	y		
Indiana University of Pennsylvania	y		
Iowa State University	o	o	o
Kansas State University	y	y	y
University of Kentucky	o	o	
Louisiana State University			z
University of Maryland	y	y	
University of Minnesota	y	y	z
University of Missouri	o	x	x
University of Nebraska	o		
North Dakota State University	z		
Northern Illinois University	x	x	x
Ohio State University	o	x	x
Oklahoma State University	y	y	
Pennsylvania State University		o	o
Purdue University	y	y	y
Queens College (CUNY)	y		
Southern Illinois University	o	o	
Syracuse University	x	x	
University of Tennessee, Knoxville	o	o	o
University of Tennessee, Martin		x	
Texas Tech University	x	x	x
University of Utah	o		
Utah State University	o	o	
University of Vermont	y		
Virginia Polytechnic Institute	y	y	x
Washington State University	x	x	
West Virginia State College	y		
Western Michigan University	x	x	
University of Wisconsin, Madison	x	x	x
University of Wisconsin, Stout	z	z	

x = major and minor z = minor only

y = major only o = not reported or other

The questionnaire solicited information such as whether the consumer program was a major or minor, the academic location of the department, the emphasis of the program, unique characteristics of the program, the number of undergraduate and graduate consumer courses offered by the department, and the number of undergraduate and graduate consumer courses offered by other departments. Some schools used a rather broad definition of consumer course. For example, textiles courses were sometimes included because they are supposedly helpful to the consumer. Other schools restricted their definition of consumer courses to include only those which pertained directly to consumer problems.

Defining a consumer program was also a problem. Again, some schools reported that their food technology, clothing, marketing or other such programs were consumer programs. However, these types of programs were excluded from the listing. Only programs such as consumer economics, public policy, family economics and financial counseling were included. Professionals in the consumer field should get together some time for the purpose of defining what a consumer course is and what constitutes a consumer program.

The academic location of the consumer program within the participating school is shown below:

Number of Programs	Department or College Location
31	Home Economics
7	Family Studies
3	Human Ecology
3	Business or Marketing
2	Business Education
2	Agricultural Economics
2	Other

Home economics is the usual location for consumer programs, and most are offered in state-supported colleges. Private institutions account for only 3 of the 50 programs. Over one-third of the schools are located in the North Central and Mid West part of the United States. The North East (excluding New England) and the South also have a significant number. Other than in California and Utah, there are very few consumer programs in the West. Heavily populated New England reports only one.

Many of the schools reported that consumer courses are taught in other departments in addition to the department sponsoring the consumer program. This gives the program a more interdisciplinary approach.

In fact, many programs are evolving towards interdisciplinary approaches. At the University of Utah, Consumer Studies is offered through the Department of Family and Consumer Studies, which is rather uniquely located in the College of Social and Behavior Sciences along with Psychology, Sociology, Economics, Anthropology, Geography and Political Science. The undergraduate program has been specifically

designed to incorporate an interdisciplinary approach and is illustrative of the direction consumer programs throughout the country are taking.

The Consumer Studies Program at the University of Utah consists of three Family and Consumer Studies (FCS) core courses, and five additional FCS courses to meet minimum requirements for a department major. In the consumer area, the student will take three consumer courses—Consumer Problems (an introductory course), The Consumer and the Law, and The Consumer and Society. A field study with either a governmental or private agency and an independent study in the consumer area are also available. Students may round out their consumer program by taking a cluster of consumer-related courses in one of the following disciplines: Psychology, Sociology, Economics, Communications, Marketing, Finance, or Political Science. This clustering permits students to take a series of courses in an area of interest outside of FCS and at the same time gives them a good interdisciplinary education.

Interdisciplinary approaches are appropriate for graduate programs in consumer studies, according to a seminar conducted by Gwen Bymers[3] at the 1972 ACCI Conference in Dallas. Bymers interprets the results of this seminar as:

1. There is no single preferred route to a graduate degree that will reflect competency in the consumer field. Several programs are achieving that end.
2. A graduate program that prepares people to work in the consumer field will be stronger if it has roots in one or more of the traditional disciplines.
3. Graduate study as usually prescribed in the traditional social science disciplines is probably too narrow an approach for a consumer specialist.

Bymers commented in the conference report:

> The fact that single traditional disciplines have failed to provide solutions to complex societal problems is not because of the inflexibility of the discipline, but of its practitioners. The scholar who fails to recognize that he holds only one key to the problem, or refuses to cooperate outside his field in a search for solutions may "lose out" as one of the participants suggested. However, if we attempt to make multi-disciplinary generalists of our students, we may end up providing them with no keys at all.

Consumer programs on the graduate and undergraduate level are still in the developmental and experimental stage and more in-depth study must be made of the objectives and content of these programs.

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[3]Gwen J. Bymers, "Graduate Study in the Consumer Field," Proceedings of the 18th Annual Conference, ACCI, Columbia, Missouri: American Council on Consumer Interests, 1972, pp. 75-79.

ELECTRIC UTILITY ADVERTISING AND THE CONSUMER INTEREST

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Introduction

Energy Shortages and Energy Prices

The energy shortage scenario does not require repeating. For the past two and one-half years consumers have been subjected by the news media to a daily litany concerning the relative shortages and rising prices of oil and natural gas (4, p. 16).[1] Television in particular has dealt with the subject so intensively and dramatically that the public may have been numbed to this important question.[2] Consumers have felt the effects of the Arab cartel's artificial manipulation of oil prices perhaps most dramatically in the form of rising prices at the gasoline pump. Only slightly less dramatic have been the increases in electricity and natural gas bills.

Consumer Pressures on Electricity Prices

Rising fuel prices have been largely responsible for a 23% increase in the electricity bill of the average residential consumer over the 1973 to 1975 period (27). These price increases have attracted the attention of both organized consumer groups and individual consumers (14, 15, 18) who have brought substantial pressure on state regulatory commissions to give greater scrutinty to utility rate increase requests (3, 4, 12, 21, 28). This in turn has meant that certain expense items have been examined much more carefully. Executive expense accounts in general, entertainment expenses, promotional payments to builders, advertising expenses, and various other related expense items have been prime targets. It is difficult for utilities to show how many of these items, with the possible exception of advertising, are of benefit to the electricity consumer.

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[1] For general discussions on the energy crisis see (11, 20, 33).

[2] The literature on the effects of fear appeals in advertising provides some evidence of the potential numbing effects of the constant predictions of energy shortage caused industrial Armageddon seen in the news media (13, 38, 24, 30).

Utility Advertising

In 1973 advertising expenditures by privately-owned electric utilities in the U.S. were slightly more than $30,000,000 (26) or nearly $.57 per residential customer (household) served.

Electric utility advertising has become a prime target of cost cutting consumer groups for several reasons. First, there is the simple desire to cut expenditures for all items that at least appear to be non-essential. Second, there is the prevalent view that advertising is a rip-off. Such arguments are especially strong when applied to EUs because of the way they are regulated and because they are monopolies (9). The fact that they are monopolies means that consumers cannot escape the advertising costs of electric utilities (9).[3] The use of rate of return regulation[4] means that the advertising expenses of electric utilities are passed directly through to the consumers of electricity. Rate of return regulation can be represented symbolically as follows:

(1) $r = (R-O)/(V-D)$

where:

r = rate of return set by regulatory authority

R = total revenues

O = total operating expenses

V = value of utility's assets devoted to serving the public

D = accumulated depreciation on the above assets

Regulatory commissions typically regulate the utilities under their jurisdiction by setting r at a level thought to be equitable to shareholders and consumers (14). As long as operating expenses are "reasonable," they are allowed by the regulator (5). In recent years this has changed as consumer advocates have persuasively argued that they are forced to pay for advertising that they do not want or need (5, 9, 28).

Industry spokemen have traditionally argued that advertising led to lower prices through scale economies and the leveling of peak demand (5, 6, 9, 16, 31), and they are not monopolists for all types of service so advertising is necessary if they are to compete (9). In recent years the need for conservation has clearly shifted emphasis to the load-leveling argument. In addition a couple of new arguments have been added. First, industry spokesmen argue that restricting their advertising

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[3] In the case of most product categories the consumer has the option of buying an unadvertised brand and avoiding any suspected price adding attributable to advertising.

[4] For a complete discussion of rate of return regulation see (7).

activities means depriving them of their first amendment right to free speech (22, 28, 29). Second, the need to disseminate conservation information or "tips" to the consumers has been suggested as a justification for EU advertising paid for by the public (10, 12, 16). The first step in evaluating the role of EU advertising is to determine how important it has been as a determinant of electricity sales.

Electricity Demand Studies

Econometric Studies

The residential demand for electricity has been the subject of a number of ecometric studies over the past 25 years. First, none of these studies with the exception of the one by Gates (9) deals with marketing decision variables other than price. Also, these studies do not explicitly account for the fact that the consumer of electricity faces a whole schedule of prices that are dependent on quantity used. The use of average prices computed ex post rather than from actual tariff schedules provides biased estimates of the price elasticity of demand for electricity (25).

A second problem or set of problems with the existing studies relates to their generally high levels of aggregation, since they employ data bases aggregated at the state or national levels. This aggregation is responsible for three sub-problems. First, there are the biasing effects on the regression results. Second, aggregation at the high levels encountered in most of these studies precludes inclusion of certain important sales determinants, most notably weather, and presents certain statistical problems.[5] Finally, and perhaps most importantly, because of the aggregation in these previous studies the data employed must be somwhat suspect. In most cases utilities serve areas that are only parts of states. This means that state price data, for example, must be carefully calculated by means of weighted averages of the tariff schedules of all the firms serving the particular state. The resulting price schedule, assuming there are no errors in calculation, is really a price schedule in the abstract and not one actually faced by consumers.

Most of the studies use data aggregated at the state level, all use multiple regressions, nearly all employ cross-sectional data, and nearly all of the models approximate the following:

$$(2) \quad \ln S = B_1 \ln Y + B_2 \ln P + B_3 \ln G + B_4 \ln V + E$$

Where: S = kilowatt hour sales per household
Y = some measure of income, per capita or family

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[5] For excellent discussions of the statistical problems presented by high levels of aggregation see Theil (33) and Moriarity (17).

P = the price of electricity—average or marginal, frequently computed ex post rather than from tariff schedules
G = the price of some quantity of natural gas
V = represents the inclusion of certain demographic and environmental variables in some of the models—number of rooms in the average house, weather or temperature conditions, etc.
E = random error term
ln = log to the base 10

The methodology employed in this study seeks to avoid or compensate for at least some of the problems encountered in previous studies. In particular the model employed includes advertising expenditures as an independent variable, takes weather into account, and employs a less aggregative data base.

The Model

The Variables

The general marketing model for identifying the most suitable variables for the model can be represented symbolically as:

(3) $Q = f(P_1, P_2, P_3, P_4, U_{1-n})$

Where: Q = some measure of sales (market share unit sales, per capita sales, etc.)

P_1 = product policy

P_2 = price policy

P_3 = place policy—channels of distribution, etc.

P_4 = promotion policy

U_{1-n} = a vector of variables—weather, competition, government regulation, social trends—which, though outside the firms' direct control, may affect Q.

Dependent Variable

Kilowatt hour (KWH) sales per household was chosen as the sales measure dependent variable for several reasons. First, the individual household is the basic consuming unit for electricity. Second, KWH provide an unambiguous, unchanging physical unit of measurement. Finally, competitive measures such as market share are inappropriate in this situation where electric utility firms operate as monopolies in their service areas.

Marketing Decision Variables

No measure of product is included in the model. The reason is

that there are no differences in product between years or between firms, states, etc. A KWH of electricity is one of the most homogeneous products imaginable. The price of 500 KWH of electricity is used as the measure of price. This represents the average quantity of electricity consumed in the average home in the middle years of the period under investigation.

No measure of place is included in the model because, as in the case of product, there are no differences between years or firms in regard to place strategy, etc. All distribution is direct from plant to home--all homes are hard-wired into the system.

Advertising expenditure is employed as the measure of promotion in the study. This is the only form of promotion engaged in by utilities that is directed primarily to the residential market and is used as a proxy for all residential promotional efforts.

Uncontrollable Factors

Three uncontrollable factors—appliance stock, weather, consumer income—were included in the model. All three have been shown to be significant determinants of residential electricity sales in previous studies (25, 32, 34). Appliance stock was included because the residential demand for electricity is a derived demand—to heat water, run dishwashers, etc. A weighted index is used to measure appliance stock.[6] Weather was included because of the obvious effects of temperature on residential energy usage. Heating degree days is used as a proxy for all temperature conditions.[7]

Finally, personal income was included as the third uncontrollable factor. Per capita income was used to fit the form of the dependent variable.

In summary, at this point the model takes the following form:

(4) $S = f(P, A, W, X, Y)$

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[6]This index is computed by summing per customer ownership of the seven major electrical appliances multiplied by average annual KWH usage for each appliance and dividing the total by the total average KWH usage for the group.

[7]Heating degree days are calculated for days with an average temperature of less than 65°. The average temperature is subtracted from 65 and the resultant figure is the number of heating degree days for that day. Totals are accumulated by year. There is also a measure of the need for home cooling appropriately labeled cooling degree days. Any day with an average temperature of more than 65° will accumulate some cooling degree days. Unfortunately these data are not available before 1969.

Where: S = per household KWH sales
P = price of 500 KWH
W = heating degree days
X = appliance stock index
Y = per capita personal income
A = per capita advertising expenditures

The Sample

The above data were assembled for a sample of 53 of the nation's 212 privately owned utilities for the years 1965, 1967, 1969, 1971, and 1973. The firms in this sample were originally selected on a probability basis. However, the inability to get critical data for certain firms required that some firms be dropped from and others added to this original sample.

Results

Equation (4) was estimated in its log-log form using OLS[8] regression. The results are shown in Tables 1 and 2. The regression coefficients for the log-log version of the equation are presented in Table 1. Table 2 shows the same coefficients in their standardized form.[9]

The results are generally as expected. The regression coefficients associated with price have negative signs in all cases and are highly significant in all but one case. The weather regression coefficients have negative signs and are highly significant in all cases. They indicate that sales tend to be higher in warmer parts of the country which is in line with the facts. They also indicate that weather has become an increasingly important factor over the period. The explanation for this development can be found in the increasing use of air conditioning and electric heating over this period.

Appliance stock is confirmed as a driving force behind the residential demand for electricity. It is a highly significant factor in all years and its coefficient is positive in all cases. It is interesting to note that Table 2 shows that weather has perhaps overtaken appliance stock as the dominant force behind residential electricity sales. This development is understandable when one considers that the appliance stock

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[8] Ordinary least squares.

[9] Standardized coefficients are computed from standardized data. Each data series is standardized by subtracting the series mean from each observation and dividing the resulting figure by the series standard deviation. The result is a new series that has a mean of 0 and a standard deviation of 1 but the same variance pattern of the original series. The motive for doing this is that regression coefficients computed from such data are directly comparable as to magnitude.

Table 1

Log-Log Multiple Regression Results

Years	Regression Coefficients					Constant	R^2
	p[a]	W	X	Y	A		
1965	-.497**	-.069**	.376**	-.093	.023	4.988	.75**
	(14.10)[b]	(9.99)	(91.05)	(0.52)	(0.56)		(28.62)
1967	-.456**	-.091**	.327**	-.096	.034	5.040	.65**
	(7.76)	(13.84)	(40.90)	(0.36)	(0.73)		(17.74)
1969	-.274	-.154**	.369**	-.009	.020	4.863	.60**
	(2.07)	(22.03)	(31.12)	(0.00)	(0.19)		(14.29)
1971	-.704**	-.141**	.422**	.375**	.028	3.944	.67**
	(12.94)	(23.37)	(35.13)	(3.60)	(0.82)		(18.72)
1973	-.396**	-.192**	.372**	.037	.012	4.993	.65**
	(5.43)	(32.72)	(29.01)	(0.04)	(0.33)		(17.23)
Pooled	-.403**	-.138**	.448**	.454**	.008	3.322	.71**
	(26.92)	(116.03)	(328.12)	(92.82)	(0.41)		(129.48)

[a]See equation (4) for a definition of symbols.

[b]F values

**Significant at the .01 level.

Table 2

Regression Coefficients Calculated with Standardized Data

Years	Regression Coefficients				
	p[a]	W	X	Y	A
1965	-.282	-.249	.760	-.059	.056
1967	-.246	-.342	.627	-.060	.075
1969	-.135	-.451	.584	-.005	.041
1971	-.308	-.444	.609	.195	.088
1973	-.203	-.517	.509	.019	-.056
Pooled	0.186	-.374	.629	.360	.023

[a]See equation (4) for definition of symbols

variable does not include central heat or air conditioning.[10] It can be argued that the temperature variable is a proxy for these factors and its growing importance reflects use of electric air conditioning and heating.

The income coefficient behaved rather badly reaching significance in only one case, sporting a negative sign in three instances, and generally fluctuating erratically in magnitude from year to year. This result reflects the problems encountered in the use of cross-sectional data.[11]

Pooling the data for different years brings a temporal factor into the analysis (1, 2, 17, 19). In any given area consumption has gone up with income. In the pooled analysis, the income factor is shown to have a positive and highly significant effect on sales.

Finally, the effect of advertising is shown to be quite insignificant and somewhat erratic in the cross-sectional analysis. The pooled analysis shows the effect of advertising to be statistically insignificant, positive, but so small that it would appear to be nonexistent.

Conclusions and Discussion

A number of conclusions relevant to public policy making can be drawn from the analysis. First, the residential demand for electricity appears to be highly price inelastic (see Table 1). This means that the reliance public policy makers are placing on price increases to bring about electricity conservation may be misplaced. Price increases more substantial than those experienced over the past 2.5 years are required before residential consumers will collectively reduce their consumption of electricity in the short-run.

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[10] A variable representing these factors—all-electric homes per customer—was included in the model at one time. However, serious multicollinearity with the appliance stock index required its removal.

[11] An examination of the data indicates that there is not enough variation in per capita income in the market areas of the firms in the sample to explain the much greater variation in per capita sales between firms. Second, cold regions of the country (high number of heating degree days) tend to have low electricity consumption but high incomes as a matter of historical accident. Finally, federal power projects, selling power at prices lower than the cost of producing it, tend to be located in low income areas. These three factors make it almost impossible to determine the true influence of income on per customer electricity sales in cross-sectional studies. It should be noted that time series analysis of industry per customer sales data show that income is a significant determinant of electricity sales over time (8).

Advertising by electric utilities does not appear to have a significant effect on electricity sales. Conservationists and environmentalists cannot blame the increases in electricity sales on EU advertising. However, consumer groups can argue that EU advertising does not bring scale economies. If EU advertising has been unsuccessful in selling more electricity is there any hope that it can be successful in selling less electricity?

About the only argument that can be made in favor of EU advertising at this time is that its cost to the average residential consumer is very small—less than $.04 per month on the average—and it might provide information that is useful to that consumer. Information is useful in the sense that it helps consumers use energy more effectively and efficiently. Careful study of the recent advertising campaigns of several utilities indicates that the vast bulk of their advertising expenditures are devoted to ads that provide potentially useful customer information.

A third conclusion of the study is that electrical appliances are the main factors behind the residential demand for electricity. Though conservationists and environmentalists have been hard on the promotional activities of electric utilities, they have totally ignored the promotional activities of appliance manufacturers whose promotional expenditures are many times those of all electric utilities combined.

Finally, it is suggested that the answer to the question of EU advertising's value to the consumer awaits further research. However, it does appear that the conservationists and environmentalists cannot blame it for stimulating sales. It is also unclear whether advertising can be an effective tool for lowering EU costs by helping to level loads. It does seem that in the face of an almost total cessation of promotional advertising by EUs that it is premature for regulatory commissions to order an end to all EU advertising.

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THE DEVELOPMENT OF A COMPETENCY BASED CONSUMER CREDIT COUNSELING CERTIFICATION PROGRAM

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Consumer Credit Counseling Agencies

The first community-based credit counseling program was organized as a nonprofit corporation in 1958 in Phoenix, Arizona. The successful launching of this program and a growing concern about families in credit difficulties led credit industry leaders to request that the National Foundation for Consumer Credit* (NFCC) become interested in credit counseling. The NFCC is representative of the various fields of credit activity and was in a position to assume leadership in the development of nonprofit credit counseling programs. The Articles of Incorporation of the NFCC state one of its purposes as follows: (NFCC, n.d.) "To foster and encourage the organization, establishment, and proper functioning within the framework of established and recognized guidelines, of nonprofit consumer credit counseling agencies."

The work of the NFCC is primarily responsible for the principal characterisitics of the local credit counseling services widespread today including the use of the name "Consumer Credit Counseling Service" and the general development of financing plans not dependent upon fees from the clients.

Over 170 consumer credit counseling agencies are affiliated with the NFCC. Their services are united under a council of nonprofit credit counseling services which functions within the charter, by-laws, guidelines and operational procedure of the national foundation. While most are community supported, some are associated with municipal authorities or local charitable institutions.

The purposes of consumer credit counseling service are as follows:

1. To provide, as a nonprofit community service, confidential and professional counseling.
2. To aid and rehabilitate financially distressed families and individuals, regardless of race, creed, national origin, color, sex, social position or financial status.

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*The research was sponsored by NFCC.

3. To foster community education on family money management, budgeting, and the intelligent use of credit.

4. To adhere to the code of ethics, policies, and guidelines established by the Council of Consumer Credit Counseling Service Agencies. (NFCC, n.d.)

To fulfill these purposes the Council of Consumer Credit Counseling Service Agencies recognized a need for certifying the competencies of consumer credit counselors. In 1973 the certification Committee of NFCC selected the Harris proposal for funding and work was begun on an instrument for use in the certification of consumer credit counselors.

Consumer Credit Counseling Certification Project

The purpose of the study was to develop and pilot test a certification instrument for consumer credit counselors. The specific objectives of the study were:

1. To determine the state-of-the-art concerning consumer credit counseling.

2. To identify the basic beliefs that make up a philosophy of consumer credit counseling.

3. To identify the tasks performed by consumer credit counselors.

4. To identify the competencies needed by consumer credit counselors.

5. To determine the priority of tasks performed and competencies needed by consumer credit counselors.

6. To construct measures for use in assessing counselor competencies.

7. To combine the measures into an examination weighed according to the priorities of tasks and competencies.

8. To pilot test and revise the instrument.

9. To make recommendations for the administration of the examination and its continual updating.

Philosophy of Consumer Credit Counseling

Ninety-six statements of basic belief, generated by active and experienced leaders in the profession described what consumer credit counseling ought to be. Summarized, they picture the CCC Service as an effort, independent of any commercial interest, to rehabilitate financially over extended persons. This rehabilitation should be measured by the ability of the client to manage his own finances and set and reach desired goals. To serve his client well, the counselor must be knowledgeable about credit, family management, human behavior, creditor

policies and counseling techniques. The rehabilitation process is two-fold in that it relieves immediate pressure on the client by providing a method of repayment and it educates clients in ways to prevent future over extension of their credit.

When presented to 24 representative counselors from 12 different agencies, the basic beliefs scored high as descriptive of the work of consumer credit counseling.

Consumer Credit Counseling
Task Inventory

The tasks that consumer credit counselors perform were identified through a review of literature, counselors' logs, onsite visitations and interviews. The list of tasks was presented for reaction to the delegates attending a convention of NFCC. After additions and revisions, 87 tasks were placed on the list used in the study.

The ideal credit counselor collects needed information, keeps adequate and accurate records, identifies alternative actions from which the client may choose, assists the client in making out a budget, makes proper contact with creditors, empathizes with and encourages the client, detects underlying problems and makes appropriate referrals. Working in a business-like manner, he subscribes to high ethical standards and studies to improve his service. He seeks ways to evaluate the service he offers and implements suggestions for improvement.

Consumer Credit Counseling Competencies

The basic beliefs and task inventory furnished a picture of the ideal consumer credit counseling service. The next logical step was to determine the competencies needed by the counselors in order to perform the tasks. The examination developed around these 61 competencies:

1. Understands the relationship between family disaster and good mental health.
2. Upholds the high ethical standards of the professions pertaining to the use of financial and health records of clients.
3. Is able to identify the limits of his own competency as well as the ehtical and legal limits of his work as a consumer credit counselor.
4. Knows what information is needed in order to best serve the client and what methods are acceptable for collecting the needed information.
5. Values formal and informal study to determine information about the client population in order to develop a more effective program.
6. Realizes that over-extension of one's credit is not characteristic of any one socio-economic level.

7. Is knowledgeable concerning recent and innovative procedures and methods in the field of counseling.
8. Is able to explain to the client how his financial activities may sometimes be reflected in his emotional and mental state.
9. Is able to operate under both the theory and practice of money management in working with client.
10. Is able to detect the feelings of other professionals concerning infringement upon their area of service.
11. Is aware of the problems clients have in pulling out of financial difficulty; realizes that it is a slippery road from delinquency to garnishment to bankruptcy.
12. Recognizes and is able to analyze human behavior patterns, human motivational forces and sources of friction among people.
13. Is able to communicate well with clients as well as with other counselors within the system.
14. Understands the benefit of continual support for his client beyond the time of active counseling.
15. Has a knowledge of and ability to demonstrate techniques and procedures that can be used effectively in counseling activities.
16. Has adequate knowledge of the major sources of counselor data.
17. Understands that counseling should be a complete process from: (1) initial interview to, (2) problem-solving interview to, (3) follow-up interview.
18. Shares the attitude that consumer credit counseling is a service oriented profession.
19. Is able to remain a free agent—not beholden to any group or individual.
20. Shares the long range goal of reducing the number of families needing debt liquidation.
21. Understands that maintaining a positive attitude improves client morale.
22. Understands how being a good listener enhances the client-counselor relationship.
23. Understands the importance of urging the client to improve communication within his family.
24. Understands the contribution to the service that follow-up contacts make regarding the client's persistance in and satisfaction with decisions and choices made as a result of consumer credit counseling.

25. Is able to use praise and positive reinforcement, to build client morale.

26. Understands the importance of follow-up contact with the client regarding his post-guidance adjustment to a new social environment.

27. Is able to verbally state his acceptance of the client in order to establish a comfortable environment (I'm O.K.—You're O.K.).

28. Is able to visualize the counseling process as interactive—working together—non-mysterious.

29. Is able to maintain a non-judgmental attitude while assisting his client in making choices.

30. Is able to sense which techniques may reduce tension and anxiety on the part of specific clients.

31. Is able to develop a rationale for differential treatment of various clientele.

32. Is able to assist the client in developing a sense of self worth.

33. Is able to use terminology that is easily understood by his client and others he contacts regarding the work of consumer credit counseling.

34. Is able to use counseling techniques in keeping with the client's frame of reference.

35. Is aware that effective credit management is more related to the way money is spent than to the amount of money one has.

36. Empathizes with the problem brought by his clients and exhibits warmth and understanding toward the person being counseled.

37. Is aware of the important part the cultural background of the client plays in the direction, content and procedure of credit counseling.

38. Is able to suit the counseling techniques used to the maturity level of the clients.

39. Maintains a constant awareness of and knowledge concerning what is going on in the world of consumer credit.

40. Understands that participation in staffing sessions facilitates the free flow of helpful information from all participating individuals.

41. Understands the importance of continuous study to keep abreast of any trends and happenings in the area of consumerism.

42. Understands the importance of self-evaluation by seeking periodic critiques of personal work from peers.

43. Understands the importance of maintaining effective relationships with local employment placement services.

44. Understands that it is strengthening to his organization to have the or ions of community leaders and agencies.

45. Understands the procedure of consumer credit counseling and follows through in an organized manner.

46. Is able to distinguish between consumer credit counseling services and collection agencies.

47. Is knowledgeable concerning every aspect of the business of credit financing.

48. Feels a responsibility for assisting his client with job placement by giving him information concerning employment trends in his community.

49. Is able to read with understanding and evaluate articles concerning materials that are helpful to the consumer credit counselor.

50. Understands how to safeguard clients against invasion of privacy and misuse of information about clients.

51. Understands the importance of the counselor setting a good example by keeping his own financial house in good order.

52. Understands the process of verifying information and bases decisions on verified information—does not consider "gossip" a good source of information.

53. Is aware of and understands the policies of creditors, including their basis for granting credit, their method of reporting delinquencies and procedures for credit.

54. Has sufficient knowledge of educational processes and methods, business administration, economics, accounting and commercial law to serve the best interest of his clients.

55. Is aware that the most immediate task is to relieve the client's financial stress, then remedial and preventive work can begin.

56. Is aware of the variety of factors that may cause credit problems.

57. Accepts the probability that he will not have complete success with all clients.

58. Understands individual human differences and believes counseling must begin with the personal values of the client as a base.

59. Has a positive attitude and views the problems facing man as solvable.

60. Is aware of the benefits gained and encourages the whole family to become involved in solving the financial problems.

61. Is able to help families discover why they do what they do in regard to credit performance.

Counselor and Client
Reaction to Competencies

Fifty-six counselors and 49 clients participated in the card sorting to determine whether the tasks and competencies were realistic. The counselors ranked them as "most," "moderate" and "least" important, how competent they felt they were, how much time they spent in that performance and confidence in their ability to perform the tasks well. The client participants indicated importance of the competencies and how often they had need of them.

The counselors divided the competencies into categories: (1) facts about credit, (2) counselor-client relationships, (3) counselor-creditor relationships, (4) counseling techniques, (5) family financial management, (6) professional ethics, (7) professional growth and development, (8) community relationships and (9) human behavior.

The results were subjected to a computerized statistical package for the social sciences SPSSH-Version 5.01. One competency not included on the exam stated that the counselor should accept some responsibility for assisting the client to find employment. Since this is usually the service of other community agencies, the counselors felt it should not be expected of them.

Table 1 shows that the majority of counselors and clients agreed that the competencies listed should be required of counselors. Competencies with less than 75% agreement follow:

Number	Percentage	Number	Percentage
10	73.5	24	55.1
43	71.4	41	55.1
17	57.1	42	55.1
48	57.1		

Competencies 10, 41 and 42 on the professional growth and development of the counselor might not have seemed important to some participating clients since they were not obvious in their contact with a counselor. Competencies 17 and 24 relating to follow-up sessions might not have been checked "agree" by some clients because they had had only one session with a counselor. Some counselors commented that while follow up sessions were ideal there was not time for them except in an emergency situation.

Counselor Reaction to Tasks

Table 2 shows that a high percentage of counselor participants agreed that all of the tasks should be performed by credit counselors. Three of the tasks that received "agree" checks from less than 75% of the

Table 1
The Percentage of Counselors and Clients that Agreed that the Competencies Listed Should be Required of Consumer Credit Counselors.

Competency Number	% of Agreement		Competency Number	% of Agreement		Competency Number	% of Agreement	
	Counselor	Client		Counselor	Client		Counselor	Client
1	92.9	98.0	22	98.2	95.9	42	89.3	51.0
2	92.9	98.0	23	98.2	87.8	43	67.9	71.4
3	96.4	89.8	24	91.1	55.1	44	92.9	77.6
4	98.2	95.9	25	100.0	77.6	45	100.0	91.8
5	73.2	79.6	26	83.9	81.6	46	98.2	89.8
6	98.2	95.9	27	91.1	81.6	47	85.7	85.7
7	89.3	91.8	28	98.2	91.8	48	80.4	57.1
8	94.6	98.0	29	83.9	98.0	49	98.2	77.6
9	98.2	89.2	30	94.6	95.9	50	96.4	98.0
10	89.3	73.5	31	94.6	75.5	51	96.4	89.8
11	100.0	89.2	32	96.4	87.8	52	98.2	93.9
12	82.1	89.8	33	100.0	95.9	53	94.6	89.8
13	98.2	98.0	34	98.2	75.5	54	89.3	98.0
14	87.5	98.0	35	100.0	93.9	55	96.4	93.9
15	92.9	95.9	36	96.4	98.0	56	98.2	98.0
16	94.6	95.9	37	83.9	85.7	57	100.0	75.5
17	92.9	57.1	38	98.2	95.9	58	94.6	95.9
18	100.0	83.7	39	92.9	98.0	59	94.6	98.0
19	94.6	83.7	40	89.3	89.8	60	98.2	85.7
20	94.6	87.8	41	94.6	55.1	61	91.1	89.8
21	98.2	95.9						

Table 2
The Percentage of Counselors that Agreed that the Tasks Listed Should be Performed by Consumer Credit Counselor.

Task Number	% Of Agreement	Task Number	% Of Agreement	Task Number	% Of Agreement	Task Number	% Of Agreement	Task Number	% Of Agreement
1	92.9	19	91.1	37	89.3	54	94.6	71	92.9
2	67.9	20	92.9	38	89.3	55	96.4	72	94.6
3	76.8	21	96.4	39	91.1	56	96.4	73	94.6
4	78.6	22	91.1	40	87.5	57	92.9	74	80.4
5	39.3	23	92.9	41	82.1	58	94.6	75	96.4
6	87.5	24	96.4	42	85.7	59	94.6	76	89.3
7	80.4	25	91.1	43	94.6	60	85.7	77	96.4
8	92.9	26	82.1	44	89.3	61	96.4	78	82.1
9	94.6	27	96.4	45	92.9	62	92.9	79	91.1
10	83.9	28	96.4	46	96.4	63	89.3	80	91.1
11	91.1	29	96.4	47	87.5	64	66.1	81	89.3
12	82.1	30	80.4	48	92.9	65	87.5	82	94.6
13	82.1	31	87.5	49	92.9	66	82.1	83	89.3
14	87.5	32	85.7	50	92.9	67	92.9	84	92.9
15	94.6	33	94.6	51	92.9	68	92.9	85	92.9
16	91.1	34	94.6	52	94.6	69	94.6	86	89.3
17	94.6	35	94.6	53	75.0	70	92.9	87	94.6
18	91.1	36	94.6						

participants were:

2. Considers the client as a conversational equal.
3. Initiates follow-up contacts with clients in regard to occupational placement and job satisfactions.
4. Assists the creditor in understanding that he must share in in the extension of credit by making it too easy to get credit.

Task number five dealing with job placement was considered by some counselors to be a service of other community agencies; the counselor's limited time should not be spent in over-lapping services. The statement of task number 64 omitted a word. The percentage of agreement might have been higher had the statement read "over-extension" of credit.

Counselor Client Agreement
on Competency Importance

The counselors' and clients' agreement on the importance of the competencies was computed by a formula to determine congruence index. The lack of any agreement is expressed by .0 and complete agreement by 1. Table 3 ranks each competency according to its congruence index. This C.I. ranking supports the fidings in Table 2.

Competency Based Certification Instrument

The panel of researchers generated test items designed to measure the competencies needed by consumer credit counselors. The questions were divided into five sections: Section I—Multiple Choice, Section II—Definitions, Section III—Listings, Section IV—Essay Questions, and Section V—Case Studies.

The questions were field tested by 20 directors and counselors who rated the items on a scale of:

Excellent	Good	Fair	Poor	Discarded

The instrument was revised based upon the results of the field test.

Table 4 shows the distribution of items as they were placed on the instrument for the pilot test. The items are arranged on the table in rows to indicate the categories that were identified by the counselor participants in the card sort and in columns to indicate types of items or sections of the exam.

Pilot Test

For economic reasons the 24 participants in the pilot test were chosen by geographical areas. Philadelphia, Pittsburgh, Cleveland and Detroit were centers for the pilot testing. Five hours were allotted to the participants to answer all questions on the test instrument. An ad

Table 3
Agreement Among Counselors and Clients Regarding the Importance of the Competencies.

Rank	Competency Number	C. I.	Rank	Competency Number	C. I.	Rank	Competency Number	C. I.
1	59	1.000	22	6	.987	42	34	.928
2	61	.999	23	3	.986	43	51	.927
3	12	.998	24	37	.986	44	20	.918
4	39	.998	25	43	.986	45	54	.918
5	58	.998	26	5	.984	46	45	.915
6	15	.997	27	23	.982	47	16	.914
7	55	.997	28	52	.978	48	48	.892
8	35	.996	29	7	.967	49	25	.880
9	36	.996	30	46	.967	50	32	.866
10	28	.995	31	2	.965	51	11	.843
11	29	.995	32	53	.963	52	57	.839
12	30	.995	33	31	.955	53	13	.825
13	47	.995	34	18	.953	54	14	.816
14	56	.995	35	26	.948	55	4	.806
15	19	.994	36	27	.947	56	49	.796
16	22	.994	37	8	.941	57	44	.795
17	38	.993	38	1	.939	58	24	.707
18	60	.993	39	10	.937	59	41	.489
19	9	.992	40	40	.935	60	42	.482
20	21	.989	41	50	.933	61	17	.429
21	33	.989						

Table 4
Table of Specification - Arrangement of Examination Items by Categories and Sections

Section	I	II	III	IV	V
	Multiple Choice	Definitions	Listings	Essay	Case Study
Category I	15 16 19 22 23 25 26 27 28 29 30 31 32 33 34 35 36 50 52	54 55 56 57 58 59 60 61 62 63 64 65 66 67 68 69 70 71 72 73 74 75 21	78	103 111 112	C - 4
Category II	10 11 37 45		76 77 79 91 80 81 83 94 86 89 90 95 99 100	105 112 114 118	C - 5
Category III			85 90 97 102	113 116	C - 6
Category IV	8 24		77 79 81 87 96 100	114	C - 4
Category V	9 13 14 48		82 92 93		C - 1 C - 5
Category VI	1 7 53		79 80 98	105 115	
Category VII	2 3 4 12 17 18 20 21 39 44 49		80 94 95 101	104 106 108 115	
Category VIII			79 80 83 85 90 98	107 110 119	C - 2
Category IX	5 6 8 38 40 41 42 43 46 47 51		76 77 81 84 87 88 89 91	109	C - 4

Category I - Facts about Credit
Category II - Client-Counselor Relationships
Category III - Client-Creditor Relationships
Category IV - Counseling Techniques
Category V - Family Financial Management
Category VI - Professional Ethics
Category VII - Professional Growth and Development
Category VIII - Community Relationships
Category IX - Human Behavior

hoc committee of three, appointed from the NFCC board of directors and including NFCC president, Mr. Robert Gibson, assisted the researchers in supervising the test.

Each pilot test participant was asked to record the time required for him to complete each section of the exam. These were averaged and a time in excess of that mean was used as a suggested time on the finalized instrument.

The pilot test scores ranged from a high of 964 to a low of 391 of a possible 1,260 and were spread as follows:

300	400	500	600	700	800	900	1000	Total
1	0	4	4	9	5	1	0	24

The decision to revise, discard or use an item was based on the following:

1. The item analysis,
2. The misinterpretation of the item by the pilot test participants,
3. The amount of difficulty in assigning a point value to the item,
4. The wishes of the examining committee to add more case study items,
5. The division of the exam into two time periods.

Table 5 shows the items, by number, that were used on the pilot test. The reason for revising or discarding is coded by capital letters as follows:

A. Undetermined point value. The essay question involved asked why the examinee wanted to be a consumer credit counselor. It was difficult to make judgment about the point credit to give since all the answers were different.

B. Overlapping items. This applied to a question in one section of the exam covering similar material as a question in another section had covered. In the interest of conserving time, one of the questions in each case was discarded.

C. Not a universal topic. These questions concerned such things as state laws, local creditor policies, etc. The committee that administered the exam felt that these items were important but could best be covered at the local level and need not be on the exam.

D. Needed further clarification. The pilot test indicated that some participants misinterpreted the meaning of the questions.

E. More relevant items were substituted. The members of the examining committee felt that the case study problems were more reliable measures and wanted at least one more added. Some of the items that the analysis showed to be poor were

Table 5
Revision of Examination

Item No.	Revised	Discarded	Used	Reason
Section I				
1			X	
2			X	
3	X			D
4			X	
5	X			D
6	X			D
7	X			D
8	X			D
9			X	
10			X	
11			X	
12			X	
13			X	
14			X	
15			X	
16			X	
17			X	
18			X	
19			X	
20			X	
21			X	
22			X	
23			X	
24			X	
25			X	
26			X	
27			X	
28			X	
29			X	
30			X	
31	X			D
32			X	
33	X			D
34			X	
35			X	
36			X	
37			X	
38			X	
39			X	
40			X	
41			X	
42			X	
43			X	
44			X	
45			X	

Item No.	Revised	Discarded	Used	Reason
Section I				
46			X	
47			X	
48			X	
49			X	
50			X	
51			X	
52		X		B
53			X	
Section II				
54			X	
55			X	
56			X	
57			X	
58		X		E
59			X	
60			X	
61			X	
62			X	
63			X	
64			X	
65			X	
66			X	
67			X	
68			X	
69			X	
70			X	
71		X		E
72		X		E
73			X	
74			X	
75			X	
Section III				
76	X			D
77	X			D
78			X	
79	X			D
80			X	
81			X	
82	X			D
83		X		B
84	X			D
85	X			D
86	X			D

Item No.	Revised	Discarded	Used	Reason
Section III				
87			X	
88			X	
89	X			D
90	X			D
91			X	
92			X	
93		X		B
94	X			D
95			X	
96			X	
97		X		E
98	X			D
99			X	
100			X	
101	X			D
102		X		B
Section IV				
103			X	
104			X	
105			X	
106		X		A
107			X	
108			X	
109	X			D
110			X	
111		X		C
112			X	
113	X			C
114	X			D
115			X	
116			X	
117		X		C
118	X			D
Section V				
119			X	
120			X	
121		X		E
122	X			D
123		X		E
124			X	
125	X			D
126			X	

discarded to allow for an additional case study.

Recommendations

The following recommendations were made for improving the certification program:

1. The exam should be given over a period of two days using four hours each day.
2. Certain biographic information should be collected from each candidate for use in continual improvement of the certification program.
3. Social security numbers should be used as identification numbers on booklets to insure anonymity until after grading is completed.
4. Study materials should be developed that might aid candidates in preparing for the exam.
5. Two or more persons should evaluate the answers and arrive at a concensus score.
6. Validity studies should be conducted to show that there is positive relationship between test results and job performance.
7. Procedures should be set up for informing candidates who fail about why they failed.
8. A policy should be set up for reexamining unsuccessful candidates.
9. An information booklet should be prepared for candidates.
10. Accurate records should be kept of passes, failures and repeats (norms-manual).
11. Procedures should be set up for maintaining standards among practitioners already licensed.
12. A standing committee on certification should be established.
13. A National Advisory Certification Board should be established.

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THE LOCAL CONSUMER INFORMATION SYSTEM: AN INSTITUTION-TO-BE?

E. Scott Maynes
James N. Morgan
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Abstract*

This paper presents a proposal to create and test a new economic institution—a local consumer information system. Its purpose would be to deliver relevant consumer information more efficiently. Successful, the new institution would help each consumer to identify his "best buy" variety of a product, quickly and at low cost. It would also tell him (also quickly and at low cost) from what local retailers and at what prices this "best buy" variety might be purchased locally.

The objectives of the system and the research proposal designed to create and test it are: (1) to provide individual payoffs to the system's users, (2) to improve the working of the particular local market in which it operates, (3) to reproduce itself and thus to improve the functioning of markets other than the one in which it was spawned, and (4) to document the informational perfection or imperfection of local markets over many types of products and areas of varying population densities.

This system would provide four types of information:

1. Local Price Information. Where is the cheapest place in a shopping area to buy products characterized by relatively little quality variation, such as term life insurance?
2. Local Accessibility to Products Quality Rated by Consumers Union. What does the local price-quality map look like? What models lie on the perfect information frontier? What

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*Complete text in The Journal of Consumer Affairs.

retailers sell these models at the frontier prices? For a given model, what range of prices is available?

Information on local prices and local accessibility would be obtained by shoppers.

3. Experience Rating of Vendor Services. Where should someone take a disabled television set (or car, high-fidelity system, child, or other consumer durable) to have it repaired cheaply and effectively?

4. Consumer Ratings of Retailers. What have been consumers' reactions to their purchase experience with particular local retailers—their advertising, dealings with salespersons, their promptness, their post-purchase service, refund experience, and correction of consumer grievances?

   Experience ratings and ratings of retailers would be obtained from periodic sample surveys of local consumers.

The concepts of this local consumer information system must be developed on a large scale to serve as a "fair test" of effectiveness. Many facets of the proposal are subject to large economies of scale—the collection of all four types of information, the development and use of alternative methods of dissemination, promotion, and the volume of information contained in the information library of the system. Also statistically significant differences in ratings of vendors can be obtained only with large samples.

ACCI RESEARCH AWARDS PRESENTATION

FINANCIAL MANAGEMENT PRACTICES OF NEBRASKA BANKRUPTS

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The purpose of this paper is to report on the financial practices of 60 randomly selected bankrupt men with that of 60 non-bankrupt men matched on age and income in order to indicate areas in which differences occurred.

The data were collected in Lincoln and Omaha, Nebraska during 1973-74. The Judge-in-Bankruptcy gave permission to interview the bankrupt individuals after they testified on the witness stand as to the accuracy of their petitions. The first 60 persons willing to be interviewed were included in the study. This covered an interview period of approximately two months in late 1973. Sixty non-bankrupt married males with wife present in the home were interviewed during January and Februaruy 1974.

Findings of This Study

Personal and Family Background. The Nebraska bankrupt was similar to the "typical" bankrupt of other studies. In this study the bankrupt man was under 35 years of age, and had less education than the non-bankrupt person (Table 1). The Nebraska bankrupt group generally had more dependents than the Nebraska non-bankrupt group, which left them with less per capita income than the non-bankrupt group, even though the two groups were matched by age and income. In many cases the bankrupt couple had been married before, had children by their previous marriage, re-married and had children of their own. This factor placed many older couples in the beginning stages of the life cycle and gave them more dependents.

Educational Attainment. The Nebraska bankrupt group tended to drop out of high school between the third and fourth year. Many could not read the questionnaire. Others could read the words, but not interpret their meaning. This type of illiteracy was not prevalent in the non-bankrupt group. Some were not skilled in reading, but most were able to interpret the questions after they had been read to them. More of the individuals in the non-bankrupt group had a higher level of education.

Work History. Fewer of the bankrupt men's wives worked outside the home than the non-bankrupt group's wives. Usually the bankrupt wife worked to help the family over a financial crisis while her non-bankrupt

Table 1

Personal Characteristics of 60 Bankrupt and 60 Non-bankrupt Men in Lincoln and Omaha, Nebraska, Winter 1973-74

Personal Characteristic	Bankrupt Men		Non-Bankrupt Men	
	Number	Percent	Number	Percent
Age:				
Under 35	39	65.0	38	63.4
Under 50	18	30.0	17	28.1
Over 51	3	5.0	5	8.5
	60	100.0	60	100.0
Educational Attainment:				
Grades 1-12	44	73.3	34	56.6
1-2 years of college or technical school	15	25.0	15	25.0
Graduated from college	1	1.7	4	6.7
Graduate school	—	—	7	11.7
	60	100.0	60	100.0
Number of Despondents:				
1-4 Despondents	46	76.7	57	95.0
4-8 Despondents	14	23.3	3	5.0
	60	100.0	60	100.0
Family Life Cycle Stage*				
Beginning	4	6.7	12	20.0
Expending	50	83.3	41	68.5
Contracting	6	10.0	7	11.7
	60	100.0	60	100.0

*The family life cycle used in this study is the same that was used by Nickell and Dorsey in Management for Family Living (4th ed.), New York: John Wiley and Sons, Inc., 1968, p. 20.

counterpart worked for home improvement, children's education, or to get ahead financially. Both groups generally worked as clerical or service workers.

The bankrupt men in the Nebraska study tended to be blue collar workers, classified as operators, service workers, and non-farm laborers. Truck drivers, machinists and meat related services were the prevalent occupations in these two groups. More of the non-bankrupt group were professionals, technicians, managers or proprietors.

The majority of the non-bankrupt group worked full time while

only half of the bankrupt men worked full time, and the remainder worked seasonally, were out of work or were disabled.

Indebtedness. Both groups of respondents were generally in debt, but non-bankrupt men did not use credit as extensively and tended to have less total amount of debt than the bankrupt group.

The majority of the bankrupt group and the non-bankrupt group spent from no money at all up to $300 per month on debt payments (Table 2). However, more bankrupt individuals spent over $300 per month on debt payments than did non-bankrupts.

Table 2

Amount of Debt Payments per Month of 60 Bankrupt and 60 Non-Bankrupt Men in Lincoln and Omaha, Nebraska, Winter 1973-74

Amount of Payment	Bankrupt Men		Non-Bankrupt Men	
	Number	Percent	Number	Percent
$1001 and over	1	1.7	1	1.7
$ 901 - 1000			1	1.7
$ 601 - 900	4	6.8	1	1.7
$ 301 - 600	20	33.8	6	10.2
$ 0 - 300	35	58.7	50	84.7
	60	100.0	60	100.0

The most common debt in both groups of respondents was classified as transportation (Table 4). Car payments, car accidents and repair bills accounted for this type of debt.

The second most prominent debt incurred by both groups was for personal loans. These loans were often for purchasing homes, cosigning, debt consolidation loans or law suits.

The largest difference between the two groups existed in medical debts. The majority of the bankrupt group owed for medical debts, as compared to only a small percentage in the non-bankrupt group.

Causes of Personal Bankruptcy. The bankrupt respondents mentioned medical bills most frequently as the cause of bankruptcy. Too many installment debts or overspending was cited as the second main cause. Very few of the bankrupt group interviewed, indicated that poor planning or poor money management caused them to go bankrupt, although many of the respondents' stated cause for their bankruptcies was the result of poor money management.

Table 3

The Types of Debts Owed by 60 Bankrupt and 60 Non-Bankrupt Men in Lincoln and Omaha, Nebraska, Winter, 1973-74

Type of Debt	Bankrupt Men		Non-Bankrupt Men	
	Number	Percent	Number	Percent
Transportation: vehicle payments, accidents, or repairs	44	73.3	37	61.7
Personal loans, law suits, co-signing or house loans	43	71.7	35	58.3
Medical	42	70.0	5	8.3
Furniture	29	48.3	7	11.7
Charge accounts, credit cards or credit bills	14	23.3	12	20.0
Household appliances	5	8.3	4	6.7
Recreational items or trips	2	3.3	-	-

Management in Relation to Finances

Goal Committment. Respondents were asked to select the three goals most important to them from a list of 15 and rank them in order of importance (Table 4). Next they were asked to tell what they were doing to accomplish the goal and their time frame. The total score was determined by adding the scores of the respondent for each goal selected. If the respondent did not select three goals or could not state any other goals, he received a total goal score of zero. The highest score (Table 5) was 21 points with lowest possible score being zero. The respondent's answers were scored and classified into three categories indicating that the respondents had "good" (21-16 points), "fair" (15-8 points) or "poor" (7-0 points) clarity of goals.

The bankrupt group had less clarity of goals than the non-bankrupt group since they could not identify goals, were not working toward goals they did select nor did they have time limits set for goal achievement.

Selection of Goals. Bankrupt and non-bankrupt men selected the goal "to have good health for family members" most often. The second goal most frequently selected by the non-bankrupt men was, "to keep debt at the lowest possible level," but the bankrupt group selected "to improve family relationships" as their second important

Table 4

The Selection and Order of Priority of Three Goals of 60 Bankrupt and 60 Non-bankrupt Men in Lincoln and Omaha, Nebraska, Winter, 1973-74

Goal*	Group	First Goal		Second Goal		Third Goal	
		Number	Percent	Number	Percent	Number	Percent
A	Bankrupt	24	40.0	2	3.3	1	1.7
	Non-bankrupt	38	63.3	4	6.7	5	8.3
B	Bankrupt	5	8.3	8	13.3	5	8.3
	Non-bankrupt	-	-	1	1.7	4	6.7
C	Bankrupt	1	1.7	4	6.7	4	6.7
	Non-bankrupt	1	1.7	9	15.0	6	10.0
D	Bankrupt	-	-	-	-	-	-
	Non-bankrupt	-	-	-	-	1	1.7
E	Bankrupt	-	-	-	-	2	3.3
	Non-bankrupt	-	-	1	1.7	1	1.7
F	Bankrupt	-	-	3	5.0	3	5.0
	Non-bankrupt	4	6.7	10	16.7	4	6.7
G	Bankrupt	4	6.7	2	3.3	5	8.3
	Non-bankrupt	5	8.3	7	11.7	6	10.0
H	Bankrupt	1	1.7	2	3.3	-	-
	Non-bankrupt	2	3.3	3	5.0	1	1.7
I	Bankrupt	-	-	-	-	1	1.7
	Non-bankrupt	-	-	2	3.3	3	5.0
J	Bankrupt	3	5.0	6	10.0	8	13.3
	Non-bankrupt	1	1.7	2	3.3	1	1.7
K	Bankrupt	8	13.3	6	10.0	7	11.7
	Non-bankrupt	5	8.3	13	21.5	4	6.7
L	Bankrupt	1	1.7	4	6.7	-	-
	Non-bankrupt	-	-	-	-	1	1.7
M	Bankrupt	-	-	1	1.7	-	-
	Non-bankrupt	-	-	1	1.7	1	1.7
N	Bankrupt	2	3.3	1	1.7	4	6.7
	Non-bankrupt	2	3.3	3	5.0	19	31.4

Table 4 (Continued)

Goal*	Group	First Goal Number	First Goal Percent	Second Goal Number	Second Goal Percent	Third Goal Number	Third Goal Percent
0	Bankrupt	4	6.7	9	15.9	2	3.3
	Non-bankrupt	1	1.7	3	5.0	2	3.3
No	Bankrupt	7	11.6	12	20.0	18	30.0
Goals	Non-bankrupt	1	1.7	1	1.7	1	1.7
Total	Bankrupt	60	100.0	60	100.0	60	100.0
	Non-bankrupt	60	100.0	60	100.0	60	100.0

*The goals with their corresponding letter:

A - To have good health for family members
B - To have more desirable housing
C - To give my children an education beyond the high school level
D - To travel to foreign countries
E - To get ahead socially
F - To increase my personal knowledge for self-improvement
G - To advance in my occupation to do a better job
H - To own my own business
I - To enlarge friendships
J - To improve furnishings or equipment in the home
K - To keep debt at lowest possible level
L - To acquire or own a better car
M - To go on a short vacation
N - To be financially secure in retirement
O - To improve family relationships

goal. The third for the non-bankrupt group was, "to be financially secure in retirement," while the bankrupt group chose "to improve home furnishings and equipment in the home."

Goal: Good Health for Family Members --

Medical Checkups. The majority of the bankrupt group indicated that adults and children had regular medical checkups. However, the difference in percentages between the adults' medical checkups and the children's medical checkups indicated that parents make the effort to give their children medical care even if they do not receive medical care themselves.

Dental Checkups. Part of the bankrupt group indicated that adults in the family had regular checkups while the other half indicated that they consulted a dentist only when a toothache or similar problem occurred. The non-bankrupt group had a higher percentage of

adults who had regular dental checkups. The results of the Nebraska study also indicated that the children of both groups, once again, received dental care when the parents did not.

Table 5

Total Goal Score for Three Important Goals of 60 Bankrupt and 60 Non-bankrupt Men in Lincoln and Omaha, Nebraska, Winter, 1973-74

Score*	Bankrupt Men		Non-bankrupt Men	
	Number	Percent	Number	Percent
Good:				
21-16 points	31	51.6	42	70.1
Fair:				
15-10 points	15	25.0	16	26.5
Poor				
7-0 points	14	23.4	2	3.4
Total	60	100.0	60	100.0

*
The Pearson Product Moment Correlation Coefficient, the test for the total goal score was 0.1778 which equals .026 level of significance.

**
The total goal score was the sum of the scores the respondents received from six questions (eight questions if the goal, "good health" was chosen) relating to the three goals the respondent selected. The "good" category (21-16 points) meant the respondent was working toward the goal and had a time limit for its achievement. The "fair" category (15-8 points) indicated that the respondents had a combination either working toward some goals but did not have time limits or vice versa. The "poor" category (7-0 points) indicated the respondent was able to select only one goal and score "good" on it, or the respondent selected a goal and did something toward its achievement or vice versa. A total score of zero meant that the respondent had not selected goals or had done nothing to accomplish goals chosen nor set time limits for achieving them.

Nutritional Practices. The non-bankrupt group who selected having good health for family members" as a goal ate better than their bankrupt counterparts. Many respondents in both groups said their families could not afford to eat two servings of meat per day. Both groups did eat adequate servings of the bread and cereals and dairy products.

Health and the Family. The respondents in both groups considered adults in their family to be in good health. However, more bankrupt men thought adults in their family were in poor health compared to the non-bankrupt group.

Many respondents in both groups indicated that their children were in "poor" health. However, more of the bankrupt group evaluated their children as being in "poor" health. Some respondents indicated that birth complications caused their children's "poor" health, while others mentioned colds and the flu.

Goal: To Improve Family Relationships—

The financial pressures that the bankrupt men and their families lived under before filing personal bankruptcy may have in many cases strained family relations. Several of the bankrupt men indicated that lack of money to pay bills was one of the causes of fights with spouses. They also worried about wage garnishment, and extra pressures resulted especially when items were being repossessed (Table 6).

Goal: To Improve Equipment and Home Furnishings—

The non-bankrupt respondents usually had accumulated furnishings and equipment and wanted to replace the items they already had with something better. Not all the bankrupt respondents necessarily wanted to purchase new furniture. Many indicated that they went to garage sales or second hand furniture and appliance stores for furniture or household equipment. This represented new furniture to them. Some of the non-bankrupt group also did this, but usually these families had low incomes.

Planning

Plan for Money Resources. Respondents in both groups indicated they used a combination of written and mental plans for spending money. The findings (Table 7) indicate that the non-bankrupt group generally planned one to three months in advance and anticipated large expenditures. The bankrupt group for the most part planned one month in advance or only from day to day, and many never planned how expenses would be covered between pay days because they said they felt their pay was spent before they ever got it. Several indicated that they also had so many bills to pay that there was no point in making plans for spending money.

Table 6

Achievement of Goal, "Improvement of Family Relationships," by 15 Bankrupt and 6 Non-bankrupt Men in the Lincoln and Omaha, Nebraska, Winter, 1973-74

Goal Achievement	Score*	Bankrupt Men		Non-bankrupt Men	
		Number	Percent	Number	Percent
Commitment:					
Encouragement of family member to make decisions	5	3	20.0	1	16.6
Talking over family problems	5	6	40.0	1	16.6
Participating in activities together	5	3	20.0	3	50.2
None of these	0	1	6.7	-	---
Other	0	2	13.3	1	16.6
Total		15	100.0	6	100.0
Time limit					
In a year or less	2	10	66.8	4	66.6
In the next five years	2	-	-	1	16.6
In the next ten years or longer	2	1	6.7	1	16.6
No time limit, but goal was selected	0	4	26.7	-	-
Total		15	100.0	6	100.0
Total score:					
7 points		11	73.3	5	83.3
5		3	20.0	1	16.7
0		1	6.7	-	-
Total		15	100.0	6	100.0

*The score was the sum of the number of points the respondent received on two questions relating to the goal. Some responses to the questions were scored higher than others since they indicted more commitment toward this goal, while lower scores indicated the respondents showed little or no commitment toward the goal.

Table 7

Plans for Expected Expenses by 60 Bankrupt and 60 Non-bankrupt Men in Lincoln and Omaha, Nebraska, Winter, 1973-74

Expenses	Score*	Bankrupt Men		Non-bankrupt Men	
		Number	Percent	Number	Percent
Future expenses:					
Day to day only	1	25	41.7	5	8.3
One month in advance	2	28	46.6	19	31.7
Three months in advance	3	3	5.0	22	36.7
Six months in advance	4	1	1.7	8	13.3
One year in advance	5	3	5.0	5	8.0
Total		60	100.0	60	100.0
Expected expenses for pay period:					
Always covered	4	37	61.7	41	68.3
Sometimes covered	2	14	23.3	16	26.7
Never covered	0	9	15.0	3	5.0
Total		60	100.0	60	100.0

*The score refers to the number of points given each response to the questions. Some responses were given more point[illegible]han others because they indicated better management.

In the majority of cases the husband and wife worked together making plans for the use of money in both groups (Table 8). In the bankrupt group, more wives alone took responsibility for financial planning than husbands. (In the non-bankrupt group the reverse was true.) The interviewer noticed that when wives were listening to the interviews, they often interrupted with the comment that they made plans to pay bills but their husbands spent money without consulting anyone, and this was why they were in financial trouble.

A majority of both groups of respondents indicated that cancelled checks, bills and receipts were the main type of financial records kept. More of the bankrupt group kept checkbook stubs or registers than the non-bankrupt group.

As Table 9 indicates, the bankrupt group did not score as high on planning as did the non-bankrupt group.

Table 8

Family Member Responsible for Making Plans of 60 Bankrupt and 60 Non-bankrupt Men in Lincoln, and Omaha, Nebraska, Winter 1973-74

Family Member(s) Responsible for Making Plans	Score*	Bankrupt Men		Non-bankrupt Men	
		Number	Percent	Number	Percent
Both husband and wife	3	38	63.3	40	66.6
Wife only	1	12	20.0	4	6.7
Husband only	1	4	6.7	13	21.7
Entire family including children	5	2	3.3	1	1.7
No one assumes responsibility	0	4	6.7	2	3.3
Total		60	100.0	60	100.0

*The score refers to the number of points given to each response to the question. Some responses were given more points than others because they indicated better management.

Controlling

Insurance. Questions about insurance were asked to determine if they carried out their plans concerning emergencies. Approximately 75% of both groups carried car, medical, life and home owners policies.

The bankrupt group had more renter's insurance than the non-bankrupt group. Possibly the bankrupt group was afraid of losing what they did own, or they purchased many things on the installment plan and were required through contracts to have insurance on them.

Ability to Control Plans. The non-bankrupt group were able to carry out their plans "most of the time" (Table 10). However, several of the respondents in the bankrupt group were "almost never" able to carry out their plans, possibly because of circumstances beyond their control or their not being able to resist impulse buying. Also, they did not have as clear-cut plans to achieve goals as the non-bankrupt group had.

Table 9

The Total Planning Score of 60 Bankrupt and 60 Non-bankrupt Men in Lincoln, and Omaha, Nebraska, Winter, 1973-74

Score**	Bankrupt Men*		Non-Bankrupt Men*	
	Number	Percent	Number	Percent
Good:***(44-41 points)	-	-	4	6.7
Fair:***(40-28 points)	18	29.8	31	51.3
Poor:***(27- 0 points)	42	70.2	25	42.0
Total		100.0	60	100.0

*The Pearson Product Moment Correlation Coefficient, the test for the planning score was 0.3308 which equals the .001 level of significance.

**The total planning score was the sum of the respondents' score on 10 questions related to planning.

***The range for the categories of scores is: Good (51-40), Fair (39-28), Poor (27-0).

Table 10

Ability to Control Plans of 60 Bankrupt and 60 Non-bankrupt Men in Lincoln, and Omaha, Nebraska, Winter, 1973-74

Ability to Control Plans	Score*	Bankrupt Men		Non-bankrupt Men	
		Number	Percent	Number	Percent
Actuate:					
Most of the time	6	16	26.7	40	66.7
Some of the time	4	33	55.0	20	33.3
Almost never	2	11	18.3	-	--
Total		60	100.0	60	100.0
Success:					
Have to change plans	2	47	78.3	29	48.3
Worked out as expected	4	8	13.3	28	46.7
Never plan ahead	0	5	8.4	3	5.0
Total		60	100.0	60	100.0
Failure:					
Most of the time	0	20	33.3	11	18.3
Some of the time	2	30	50.0	25	41.7
Almost never	4	10	16.7	24	40.0
Total		60	100.0	60	100.0

*The score refers to the number of points given to each response to the question. Some responses were given more points than others because they indicated better management practices.

Evaluation

Success of Plans. Both groups indicated their plans needed more control (Table 11). However, more respondents in the non-bankrupt group indicated their plans worked smoothly with little difficulty. Both groups showed some degree of evaluation since they were able to indicate whether their plans worked or needed more control.

Table 11

Plan Evaluation by 60 Bankrupt and 60 Non-bankrupt Men in Lincoln, and Omaha, Nebraska, Winter, 1973-47.

Plan Evaluation	Score*	Bankrupt Men		Non-bankrupt Men	
		Number	Percent	Number	Percent
Successful plans:					
Needed more control:	3	32	53.3	33	55.0
Worked smoothly	5	12	20.0	24	40.0
Did not work	0	9	15.0	1	1.7
Not sure	1	7	11.7	2	3.3
Total		60	100.0	60	100.0
Unsuccessful plans:					
Most of the time	4	30	50.0	44	73.3
Some of the time	2	25	41.7	11	18.3
Almost never	0	5	8.3	5	8.4
Total		60	100.0	60	100.0

*The score refers to the number of points give to each response to the question. Some responses were given more points than others because they indicated better management practices.

Respondents were asked if they knew why their plans sometimes failed. More of the non-bankrupt group evaluated their unsuccessful plans than the bankrupt group (Table 11) and could see why their plans failed without using a more sophisticated evaluation.

Reasons given for plan failure were: inability to control plans and unforeseen emergencies—especially an unexpected illness of the family breadwinner or another family member. The researcher also observed that some respondents were not concerned about why their plans did not work, they only knew that they had not worked.

Unrealistic Goals. More of the bankrupt group strove for things they could not attain "most of the time" or "some of the time" than did the non-bankrupt group (Table 12). Apparently the bankrupt group did

not evaluate their plans fully or they would have realized how impractical their goals were.

Table 12

The Unrealistic Goals of 60 Bankrupt and 60 Non-bankrupt Men in Lincoln, and Omaha, Nebraska, Winter, 1973-74

Goals Beyond Attainment	Score*	Bankrupt Men		Non-bankrupt Men	
		Number	Percent	Number	Percent
Most of the time	0	27	45.0	15	25.0
Some of the time	2	25	41.7	25	41.7
Almost never	3	8	13.3	20	33.3
Total		60	100.0	60	100.0

*The score refers to the number of points given to each response to the question. Some responses were given more points than others because they indicated better management practices.

Evaluation Score. Again the bankrupt group scored lower than the non-bankrupt group in controlling their plans (Table 13). They committed too much money toward installment payments or credit purchases and did not have enough left over for such necessities as food, shelter, utilities and other committed expenses.

Table 13

Total Evaluation Scores of 60 Bankrupt and 60 Non-bankrupt Men in Lincoln, and Omaha, Nebraska, Winter, 1973-74

Score**	Bankrupt Men*		Non-bankrupt Men*	
	Number	Percent	Number	Percent
Good:***(24-19 points)	3	5.0	17	28.3
Fair:*** (18-9 points)	50	83.3	40	66.6
Poor:*** (8-0 points)	7	11.7	3	5.1
Total	60	100.0	60	100.0

*The Pearson Product Moment Correlation Coefficient for the evaluation score was 0.3797 which equals the .001 level of significance.
**The total evaluation score was the sum of the respondents' score on six questions related to evaluation.
***The range for the categories of scores is: Good (25-19), Fair (18-9), Poor (8-0).

Total Management Score

The total management score for each of the 60 bankrupt and 60 non-bankrupt respondents was calculated by adding the scores each received for clarity of goals to the scores received in the areas of planning, controlling and evaluating plans. The respondents were rated as "good," "fair," or "poor" managers dependent upon their overall scores.

Planning was weighted the heaviest with 51 possible points, controlling was weighted next heaviest, followed by evaluating, and clarity of goals. The highest possible score was 135 points.

The non-bankrupt groups' scores (Table 14) were higher than the bankrupt groups' scores for financial management abilities. The

Table 14

Total Management Score of 60 Bankrupt and 60 Non-bankrupt Men in Lincoln, and Omaha, Nebraska, Winter, 1973-74

Score	Bankrupt Men*		Non-Bankrupt Men*	
	Number	Percent	Number	Percent
Good:*** (120-99 points)	-	-	14	23.3
Fair:*** (98-60 points)	45	75.1	43	71.7
Poor:*** (59-0 points)	15	24.9	3	5.0
Total	60	100.0	60	100.0

*The Pearson Product Moment Correlation Coefficient, the test for the total management score, was 0.4997 which equals the .001 level of significance

**The total management score was the sum of the points of the total scores for goals, planning, controlling and evaluation.

***The range for the categories of scores was: Good (128-99), Fair (96-60), Poor (59-0).

majority of both groups turned out to be "fair" managers. Obviously the bankrupts tended to have a lower range in the total management scores than the non-bankrupt control group; as a group, they tended to be less capable money managers. These findings were substantiated by the analysis of variance statistic. The F Value was $F = 39.27577$; the degrees of freedom were $df = 1/118$; and the Probability was $p = 0.001$. (Table 15).

Conclusions

The two groups' choices of goals and priorities differed, although the majority selected "to have good health for family members"

Table 15

ANOVA for the Financial Management of 60 Bankrupt Men and 60 Non-bankrupt Men in Lincoln, and Omaha, Nebraska, Winter, 1973-74

Source of Variation	df	Mean Square	F Value	Probability
Goal scores	1	353.6333	13.15506	.0007
Planning scores	1	821.6333	16.44874	.0003
Controlling scores	1	1038.40833	37.78845	.0001
Evaluating scores	1	330.0083	19.87884	.0001
Total Management scores	1	9345.6750	39.27577	.0001

as their first important goal. The evidence of comittment toward achieving goals indicated less concern on the part of the bankrupt group than the non-bankrupt group.

Many respondents, especially in the bankrupt group, indicated that they did little or no planning; they were not interested in planning and did not care to learn how.

They could not be bothered trying to control their spending; since they earned the money they should be able to spend it in any way they chose indicating a self-centered attitude and little emphasis on cooperating to secure family concerns.

Most husbands and wives generally planned for use of financial resources together. However, men lacked interest in developing financial management skills and left this to their wives.

The family life cycle and number of dependents have an influence on the goals of the family and use of its financial resources. Re-marriage was found to be a contributing factor in the more than average number of dependents in many of the bankrupt families.

Bankruptcy was frequently attributed to medical debts not covered by insurance, even though the respondent thought he was adequately insured. Especially in the bankrupt group "poor" nutritional habits may have some relationship to medical bills.

"Welfare" has negative connotations for many individuals in this study. Bankruptcy, although also considered a negative factor,

was looked upon more favorably as a way to solve financial problems.

The scoring technique proved to be a successful instrument in determining differences in the managerial practices of the bankrupt and non-bankrupt groups.

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